





EUROPEAN NEWS

PRICES PROTEST DRAWS THOUSANDS TO CAPITAL

Angry farmers fill Paris streets

BY DAVID WHITE IN PARIS

FRANCE'S peasant class showed itself in the streets of Paris yesterday in a peaceful demonstration as impressive as anything seen — or heard — in the capital since the riots of 1968. With just a week to go before the EEC's farm price deadline the organisers claimed a turnout even higher than the 100,000 they had hoped for.

Metro entrances. The demonstration, said to be the biggest by French farmers for more than 25 years, was the climax of months of local protests against prices which for the past eight years have failed to match increases in production costs. The farmers want the Government to press for a 16 per cent increase in Brussels.

Coach convoys

The farmers arrived in the capital in the morning in convoys of coaches and special early trains. Grouped by region from Normandy to Languedoc, with a strong contingent from the Right-wing strongholds of Champagne, the marchers were led by the chiefs of the powerful FNSEA union and its young farmers' affiliate. Ahead of them were a couple of dozen tractor

and, in the very front, empty milktrucks were dragged clattering on ropes. Almost all the marchers were men, many of them middle-aged or older, wearing union stickers on their chests or the top of their cloth caps. The wine regions of Bordeaux and Burgundy joined in and great names like Pomard and Puligny-Montrachet marched past on banners.

A group of 500 or more from the southern Gers region had bought themselves uniform yellow-and-green cycling caps, and the people from near the Swiss border came with their cow-bells. The operation was officially non-political, but the Government took as many knocks as the British or the Common Agricultural Policy. "Madam Cresson," announced a banner referring to the Agri-

culture Minister, "your smile is an insult to the peasants." Another banner, playing on her name, which means "water-crass," read: "Wanted—a weed-killer for Cresson."

Sole control

About 5,000 stewards wearing green armbands were in sole control of the march. The police were almost nowhere to be seen. This was probably wise, for the demonstrators had obviously come prepared with egg-stocks.

Near the end of the march, there was an outbreak of tiharity when a man appeared at a first-floor window in his underpants and was bombarded with unused eggs. Taking it all in good spirit, he came back to the window armed with a frying-pan.



Tractors lead the protest in Paris

Local polls may break deadlock in Netherlands

By Charles Batchelor in Amsterdam

DUTCH VOTERS go to the polls today to elect councillors to the country's 11 provinces in the first test of the Netherlands' political climate since last May's general election. With the provinces occupying an ill-defined middle ground between central and local government, national rather than provincial issues normally determine voting patterns.

The outcome of the election, which will not be known until around midnight tonight, is expected to break the log-jam which has paralysed decision-making in the three-party coalition Cabinet which came to power in November. Deep divisions between the Christian Democrat, Labour, and Democrats 86 parties have delayed effective action on the pressing economic problems.

Two recent opinion polls have confirmed that the popularity of Labour Party continues to wane. Labour can now count on the support of only 22 per cent of the electorate, compared with more than 38 per cent at the last general election, according to the polls. The Christian Democrats, led by Prime Minister Dries van Agt, have increased their share of the vote slightly from the 31 per cent attained in the general election. The third coalition partner, the Left-of-Centre Democrats 66, has roughly maintained their position.

If these poll findings are confirmed by the provincial election result, and as much of a quarter of the electorate is still undecided, Mr van Agt could interpret this as support for his policy of substantial public spending cuts and reductions in the scope of the generous Dutch welfare system.

A strong performance by both the Christian Democrats and the opposition Liberal Party could even prompt him to bring the present coalition to an end and call new elections in the hopes of resurrecting a coalition with the right-of-centre Liberals. Mr van Agt has made no secret of the fact that he felt much happier sharing power with the Liberals in the 1977-81 Government. One of the two recent polls showed the Liberals increasing their vote to 21 from 17 per cent, but the other showed a practically unchanged result. After taking 64 months to agree a coalition programme, the present Government has achieved little in its first four months in office.

The Labour Party is opposed to large spending cuts but found even its own limited proposals for trimming welfare costs rejected by the unions. It has also become clear that an ambitious job creation programme announced by Mr Joop den Uyl, the Labour leader, will produce very few new jobs. The drawing-up of the spring budget, normally completed in March, has been delayed by several weeks. The three Government parties are split over the size of spending cuts. Meanwhile, unemployment continues to rise. It reached a seasonally adjusted 452,500, or 10.1 per cent of the workforce, in January. The Government's budget deficit, which was more than 3 per cent of gross domestic product last year, is expected to increase with disappointing levels of natural gas sales. More than 9.6 million people are entitled to vote in today's election for some 6,000 candidates contesting 705 seats.

Pertini visit will boost Italian-U.S. relations

By Rupert Corwell in Rome

A WEEK-LONG official visit to the U.S. by President Sandro Pertini of Italy, which begins today, will add a new dimension to the currently flourishing relations between the two countries. Washington has long looked with favour on Rome among its West European allies, not least because of Italy's promptness in accepting the installation of 113 Cruise missiles, and the ostensible acceptance of a tough anti-Soviet line after the Polish crisis.

On top of this has come gratitude of the spectacular success of the Italian security forces in releasing Gen. James Dozier from the clutches of the Red Brigade in January. All, however, will be thrown into sharper relief by the remarkable personal qualities of President Pertini himself — not least his physical stamina. At 85 years of age, he has just completed a similar visit to Japan.

The Italian President's constitutional powers are slight. Yet, since he took office in 1978, he has come, more than anyone else to embody what is best in Italian life, beyond the scandals, the disorganisation, and the storming of the central state.

Despite his age, his appeal, paradoxically, is greatest among the young. He is by far the most popular politician in Italy, one of the last survivors of a generation forged in anti-Fascist and anti-Nazi resistance. In the U.S., he will travel from Washington and talks with President Ronald Reagan to San Francisco, Chicago and New York, all of which have large Italo-American communities. Despite possible differences over the East-West arms build-up, Sig. Pertini is sure there will be no problems with President Reagan, 15 years his junior. "We get along very well," he said this week. "He's a real extrovert, just like me."



Sig Pertini... remarkable personal qualities

Haughey runs into early vote problems

By Brendan Keenan in Dublin

THE INSTABILITY of the present Irish Parliament was emphasised on its first full day of business when the Government of Mr Charles Haughey failed to win a vote on the election of Deputy Speaker. The vote was tied 80-80 after four left-wing members voted with opposition and another, Mr Tony Gregory, abstained. There were angry exchanges when Dr John O'Connell, the Speaker, used his casting vote in favour of the Government's nominee, Mr James Tunney. Dr O'Connell did exactly the opposite when the same thing happened at the start of Dr Garret Fitzgerald's administration. The vote would not have threatened Mr Haughey's administration, but it illustrated the unreliability, from the Government's point of view, of the left-wing members, particularly Sinn Fein, the Workers Party, which has three seats.

EEC ministers voice fears for West Bank

BY JOHN WYLES IN BRUSSELS

EUROPEAN COMMUNITY Foreign Ministers, yesterday emphasised their "grave concern" about developments in the Israeli-occupied West Bank and acknowledged their fears of a possible annexation of the area by Jerusalem. Mr Leo Tindemans, the Belgian Foreign Minister and president of the EEC Council of Ministers, said after yesterday's meeting that the possibility of Israeli annexation of the West Bank had been discussed.

"This is a hypothesis that we wish to verify," he added. Recent riots and deaths in the area had increased Europe's fears of a "possible explosion of violence" on the West Bank, said Mr Tindemans. The Community's worries will be emphasised to the Israelis by Lord Carrington, the British Foreign Secretary, who is visiting Jerusalem in the middle of next week.

The topic was specifically raised during yesterday's discussions by M Claude Cheysson, the French Foreign Minister, who is said to want to soothe Arab fears that the balance of the EEC's approach to the

Middle East problem has been tilted in favour of Israel following President Mitterrand's recent visit to Jerusalem. Mr Tindemans went on to signal yesterday that the Community was embarking on a thorough review of its Middle East policy, which could lead to an adaptation of its celebrated Venice Declaration. The most likely outcome could well be a more explicit appeal by the Community for negotiations on the creation of a Palestinian state. But no decisions on this will be taken until after Israeli withdrawal from Sinai, which is due to take place under the Camp David agreements on April 25. Mr Tindemans said that he would visit the area on behalf of the Ten both before and after Israeli withdrawal. The indications are that the Ten might be gearing themselves up for a new diplomatic initiative to fill a looming vacuum in Western policy.

Senior political leaders argue that the U.S. is unlikely to mount any fresh moves on the Middle East problem until after Congressional elections in November.

Britain drops objection to distilling of wine surplus

BY LARRY KLINGER IN BRUSSELS

BRITAIN YESTERDAY gave conditional approval to European Commission proposals to facilitate a tasting truce in the often violent Franco-Italian "wine war"—a move which could also lessen the tension between the UK and France over EEC farm policy as a whole. The measures provide for the extra distillation of up to 650m litres of wine into industrial alcohol to mop up the current EEC surplus and calm French farmers' fears over cheap Italian imports.

Britain's agreement is subject to ratification by the House of Commons today. Britain last week rejected the original proposals as a potential threat to its own industrial alcohol industry, but yesterday accepted arrangements agreed by all EEC member states that the Commission would be informed in detail of any plans to dispose of the subsidised alcohol from public stocks on to the open market.

The Commission, which has undertaken not to approve any release that would disrupt the market, could then approve the transaction or require the release to be made under different conditions of price or timing. The UK had argued that the original measures posed a particular threat to BP, the British energy group which has recently stepped up investment in industrial alcohol production and currently holds around 30 per cent of the EEC market.

However, Britain's veto was strongly criticised at the time as being only a ploy to strengthen its bargaining position in the current EEC guaranteed farm price negotiations. France was particularly angered that the veto came just ahead of last week-end's local elections, in which the French Government's coalition parties lost much ground. As part of yesterday's compromise, Britain, with the support of West Germany, Belgium and the Netherlands, succeeded in reducing the originally proposed 700m-litre distillation maximum to the 650m litre limit which in certain circumstances could come down to 625m litres.

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Journalists' leader warns Jaruzelski

By Christopher Bobinski in Warsaw

THE LEADER of the Polish Journalists' Association, which was banned at the weekend, warned Poland's martial law Government yesterday that "even if the authorities feel they are winning for the moment, naked power is not enough. This country is not to be defeated."

Mr Stefan Bratkowski was speaking at an impromptu news conference on the steps of the Association's headquarters in Warsaw where he went to be told officially of the ban. Since martial law was imposed last December Mr Bratkowski has avoided the limelight and yesterday was his first public pronouncement since then. He was a member of the Communist party until his expulsion last autumn and knows General Wojciech Jaruzelski, Poland's military leader, personally.

Expanding on his warning, Mr Bratkowski said that "the protecting powers" meaning the country's Warsaw Pact neighbours, should remember that power alone could not ensure stability in the long term. He also expressed the hope that in "four to six months" when "the authorities realise what they have done and are doing," a return to conciliatory policies might be possible.

Mr Bratkowski returned to a favourite theme when he said that Poland needed a new arrangement, which would provide "guarantees for the Soviet Union, for the Western creditors and for democracy in the country." He expected 10 per cent of Poland's 10,000 or so journalists to lose their jobs as a result of the purge in the media. He said: "Meat rations in Poland may have to be reduced further because of a shortage of feed grains, the Peasants' Party newspaper, Dziennik Ludowy, reported yesterday."

It said Poland, deprived of new credits because of the military crackdown, would only be able to import 4m tonnes of grain this year compared with 7.5m tonnes in 1981. Meat consumption per capita was 73.3kg in 1980, fell to 64 kg in 1981 and this year would probably drop to between 55kg and 60 kg or even lower.

Foreign banks refuse to sign pact to aid Belgian steel giant

BY GILES MERRITT IN BRUSSELS

THE GROUP of foreign banks in Belgium that bears almost the entire burden of the ailing Cockerill-Sambre steelmaking giant has refused to sign the funding protocol designed by the Belgian Government to help stabilise the company's debt. Some 10 large international banks—notably such U.S. lenders as Citibank, Manufacturers Hanover Trust, Morgan Guaranty and Chemical Bank, and France's Banque Nationale de Paris and the Societe Generale—have told the Belgian authorities their continued support for the steelmaker is not in question. But they will not join six Belgian financial institutions as signatories.

The protocol, which reconfirmed the BFRs 23bn (£345m) worth of commercial credits to Cockerill-Sambre and arranged a further BFRs 5bn (£750m) in state guaranteed loans, was originally to have been signed by both domestic and foreign creditor banks. Senior foreign bankers in Brussels were making it clear yesterday that their decision does not prejudice their confidence in the economic policies being pursued by Belgium's new centre-right coalition. However, it cannot help the Government's efforts to still disquiet over the situation both of Cockerill-Sambre and in the surrounding francophone region of Wallonia.

There are signs, however, that a number of the Cockerill-Sambre workers who have been holding strikes throughout the past month may be on the point of calling off their action. As La Libre Belgique, one of the country's foremost French language newspapers, commented yesterday, Belgium is teetering between a return to calm and renewed confrontation.

West German jobs plan agreed

BY OUR BONN STAFF

BONN ON Monday evening, concentrates heavily on North Rhine Westphalia, the province which embraces the Ruhr. Companies setting up in steel areas such as Bochum or Dortmund can expect to recover some 15 per cent of their costs. Those expanding production can expect up to 10 per cent.

The great advantage for Bonn is that the programme requires no new federal budgetary disbursement. The funds will be provided by a 9.25 per cent tax rebate for investment, shared between government and the regional authorities, and a further 6.25 per cent bonus from the regional government of North Rhine Westphalia. The target is an extra 37,600 jobs in the region by 1985.

At heart the programme extends to the troubled steel areas the principle of public aid for structurally weak regions that has been in force for some time. It follows the announcement last year of a DM 1.34bn (£311m) package of aid and investment grants to the steel industry. Other areas affected include the Saarland, where 5,600 more jobs are to be created through measures including some DM 66.5m (£15.4m) in federal and regional aid.

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Labour bar spelled out to Lisbon

BY DIANA SMITH IN LISBON

THE European Community cannot agree to Portugal's desire for free circulation of its manpower immediately after accession. This has been stressed in Lisbon by Mr Ivor Richard, Commissioner for Social Affairs, Education and Job Training. The EEC's 11.2m unemployed are a self-evident argument against immediate free circulation by new Portuguese migrants, he said. The European Commission has made a concession, however: Portuguese workers already employed in the 10-member countries will be allowed to change their jobs in those countries. Free circulation of labour is of paramount importance to Portugal which traditionally has exported its surplus manpower.

Emigrants send home about \$3bn a year, feeding out the country's chronically thin current account receipts. It is difficult to secure accurate figures, but between 1m and 2m Portuguese already live in EEC countries, largely working in low-to-medium skill areas. Slow industrial development at home and the decline of agriculture has left many young, able-bodied Portuguese with the belief that only in Europe can they find a better life. Naively, many Portuguese believed that Community membership would grant them an immediate, unlimited new job market. Now that the reality is clearer, some enthusiasm about EEC membership has waned.

'Black Forest brooder' chips away at Bonn's arms policy

BY JAMES BUCHAN IN BONN

Left will propose instead a moratorium for both sides. This proposal has three parts: 1. A moratorium on all new intermediate range missiles for the duration of the Geneva negotiations. 2. A commitment by the Soviet Union to reduce its theatre nuclear warheads to the 1978 level. 3. A permanent moratorium freezing deployment on both sides at the position of 1978. While the Government feels it could carry the Congress for

the pressure will be off Moscow, its negotiators can still in Geneva and the Soviet superiority in theatre forces will be maintained. If it fails this is only likely to provoke a painful debate that would damage the Chancellor's prestige and the position of the U.S. in Geneva. Herr Eppler brushes these arguments aside. At the heart of his attitude is the sincere belief that the U.S. has no commitment to Geneva, that their chief concern is not for disarmament but for bases for Pershing-IIs, which could destroy Moscow from launching pads in the eastern sector of the Federal Republic. It is Washington that should be kept under pressure, and Moscow given some latitude; after all, it is Washington that is threatened by SS-20s? "Mine is not an ideological or moral stance, but a geographical attitude," he says.

Herr Eppler is impatient with the different sets of numbers of launchers or warheads emanating from Moscow and Washington. He inclines to the Soviet view that a rough equilibrium now exists if the French and British independent nuclear forces are taken into account, along with so-called U.S. "forward-based systems"—of aircraft and submarines capable of hitting

targets in the Soviet Union. Above all, he wants to send the great powers a clear signal from Munich that West Germany is sick and tired of the arms race. In this respect, he can count on the support of a growing peace movement, which has promised to stage a demonstration to coincide with President Reagan's visit to Bonn for the Nato summit. Herr Eppler is also the last person to need reminding of the Green protest movement's threat to the SPD position, for his own state of Baden-Wuerttemberg was the scene of one of the first Green successes. At the weekend, the Greens made strong gains at the SPD's expense in the regional elections of Lower Saxony and it is clear that the SPD's appeal to young voters has been badly impacted by its stand on such issues as the new missiles. "When charged with disloyalty to his party, Herr Eppler tends to pose another question. With the strong likelihood that the Greens can achieve over 5 per cent in other regional elections this year, and the stronger probability that the Christian Democrat-Christian Social Union (CDU-CSU) will not fall below 44 per cent, where is there room for a left-of-centre majority? There are several possible answers, including an alliance

with the Greens, but what Herr Eppler intends is a new form of Social Democracy that will remove the Greens' very raison d'être. In a best-selling book published last year, and in recent conversations, Herr Eppler has made clear that he views his policies as the bridge between the old trades union-based SPD and the new voters for whom environmental and social issues are paramount. Many SPD colleagues regard Herr Eppler's as a dangerous game and have warned of 30 years of CDU-CSU darkness, with Herr Franz Josef Strauss, the redoubtable Bavarian leader, at the helm. "But Strauss is just a horror-show," Herr Eppler replies. "He doubts whether a CDU-CSU government could survive even 100 years."

Herr Eppler accepts, however, that a party of opposition might be helpful to the SPD—perhaps sooner rather than later. If the Government does collapse this year, in part because of Herr Eppler's line, nobody "of the present leadership" will be regarded as indispensable.

Nata talks, Page 4

Herr Erhard Eppler is the very image of a modern peacemaker; the beard is turning grey in places, the suit is lumpy, the manner weary to a degree. A social Democrat colleague once described Herr Eppler, a former chairman of the Baden-Wuerttemberg SPD, as the "brooder from the Black Forest." Now aged 55, and a Doctor of Philosophy, Herr Eppler retains the Socratic habit of establishing points by a series of innocent questions, delivered in a soft and ironic tone. Few people, however, regard Herr Eppler as the harmless, rather unworldly figure he at first suggests. A left-wing associate of Herr Willy Brandt, he had never been an admirer of the present Chancellor and resigned from his only ministerial post soon after Herr Helmut Schmidt took over in 1974. From his vantage point on the Left of the party, Herr Eppler is now directing a revolt against the Government's security policy—being aware that this could force the Chancellor to resign and plunge the Social Democrats into Opposition. In the shadowy world of nuclear weaponry, of claims and counterclaims from Moscow and Washington, Herr Eppler has become a figure of substance.

The issue is the Bonn Government's support for Nato's so-called "two-track decision" of December 1979, which proposes the modernisation of the Alliance's intermediate-range ("theater") nuclear forces in Europe should the U.S. and the Soviet Union reach no agreement on the subject. This entails West Germany, which is already a devil's kitchen of nuclear weapons, accepting the lion's share of Europe's land-based missile and 108 Pershing-IIs. Their installation is set to begin from the end of next year if there is no progress in the U.S.-Soviet talks in Geneva, currently in adjournment for a breather after four months of slow and deliberative fencing. The Government itself is hardly keen on the new missiles, and has more than once querulously wondered to the U.S. why the Federal Republic, a country the size of Oregon, should have to bear such a burden. Herr Schmidt's position, however, is that the threat of new U.S. missiles on West German soil must dangle over the Soviet leadership to strengthen their commitment to the Geneva talks and to reduce what he insists is an overwhelming Soviet superiority in theatre nuclear forces. This superiority has been achieved by the installation of up to 300

triple-warhead SS-20 missile systems, of which 250 are seen installed since 1978. The Chancellor has threatened to resign if the Social Democratic party rejects the two-track decision, but he received a reprieve in January when the party executive agreed to delay a vote on the new missiles until the autumn of 1983. By the time it was assumed, it would be clear what could or could not be achieved at the Geneva talks. Herr Eppler, who has been a member of the Präsidium since 1973, voted against the majority. Along with other left-wingers, in a group known as the Frankfurt Circle, he is attempting to force a discussion of the topic at the party congress in Munich in a month's time. Herr Eppler would like to see the re-negotiation of the two-track decision announced by the party congress. Recognising the difficulty in achieving this, however, the

the twin-track decision, it is badly rattled by the proposal of a moratorium. Already nearly half of the local Social Democratic parties have voted against the Government in one way or another. Herr Eppler says, with some justification, that he could certainly win a majority for a moratorium if the Chancellor had not staked his political future on the issue. If the moratorium succeeds, if the party leadership retorts,

the pressure will be off Moscow, its negotiators can still in Geneva and the Soviet superiority in theatre forces will be maintained. If it fails this is only likely to provoke a painful debate that would damage the Chancellor's prestige and the position of the U.S. in Geneva. Herr Eppler brushes these arguments aside. At the heart of his attitude is the sincere belief that the U.S. has no commitment to Geneva, that their chief concern is not for disarmament but for bases for Pershing-IIs, which could destroy Moscow from launching pads in the eastern sector of the Federal Republic. It is Washington that should be kept under pressure, and Moscow given some latitude; after all, it is Washington that is threatened by SS-20s? "Mine is not an ideological or moral stance, but a geographical attitude," he says.

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OVERSEAS NEWS

UAE plans first-ever budget deficit and decline in spending

BY OUR FOREIGN STAFF

The United Arab Emirates will run a budget deficit this year of \$620m, according to reports by the Gulf news agency, based in Bahrain. This is understood to be the first time since independence 10 years ago that the UAE has predicted a budget deficit.

At the meeting of the Organisation of Petroleum Exporting Countries (Opec) in Vienna last week, the UAE agreed to an oil production ceiling of 1m b/d.

This compares with production earlier this month of an estimated 1.25m b/d which was already below last year's average level. In 1976-77 the UAE was producing close to 2m b/d.

Apart from a generous aid programme, the UAE has also faced exceptional demands from Iraq during the past 12 months. It is understood to have provided at least \$4bn and can expect further requests during the coming months.

Egyptian envoy fails to solve border dispute

BY DAVID LENNON IN TEL AVIV

A SPECIAL envoy from Mr Hosni Mubarak, the Egyptian President, failed during urgent talks with Mr Menahem Begin, the Israeli Prime Minister, to resolve the dispute between the two countries over their international border, which is to be re-established when Israel completes its withdrawal from Sinai next month.

not wholly shared by Israeli officials, who said that the message Mr el-Baz brought to the Premier concentrated on reassuring Israel that Egypt would preserve the ties and deepen the normalisation of relations between the two countries after the final withdrawal.

Iraq and Iran both claim major war victories

BY OUR FOREIGN STAFF

HEAVY FIGHTING between Iraq and Iran was reported to be continuing yesterday with both sides claiming to have scored massive victories. Iraq said it had launched a major counter-offensive in the Shush area, west of Dezful, and had totally destroyed the Iranian 77th Division. A correspondent for the Iraqi news agency said the battlefield was littered with the corpses of

Iranian dead. Many hundreds of Iranian troops and revolutionary guards had also been taken prisoner. An Iranian military communique reported that over 5,000 Iraqis had been killed in the offensive, which it launched on Monday, another 7,000 had been wounded and some 6,000 taken prisoner. The counting of the dead and wounded was still continuing, it said.

Pretoria drops plan for coloured conscription

By J. D. F. Jones in Johannesburg

THE South African Government has had second thoughts about extending military service to white women and to coloureds and Indians, but is going to step up the military obligations of all white adult men.

A Defence Act Amendment Bill, to be tabled in Parliament today, no longer contains the provisions in the draft which led to immediate criticism. The revised Bill keeps the two-year period of compulsory national service for white males, but extends the "citizen force" follow-up training system in a way that is estimated to affect 800,000 men. However, a military spokesman has said that not all those liable under the new system would necessarily be called up.

The main change is that military training obligations after the initial two years of full-time service are to be increased from 240 to 720 days. After this, citizen force members will be transferred to active reserve for at least five years, and will afterwards serve in commando units until they are 60. All white males will be kept on a national reserve until they are 65.

Quit Kabul, India urges Russia

BY K. K. SHARMA IN NEW DELHI

INDIA has made its clearest call yet for the Soviet Union to withdraw its troops from Afghanistan. The call, which can be taken as an attempt to reassert India's non-alignment policy, came in the annual foreign ministry report circulated to Parliament yesterday.

The report said that India seeks a settlement "through negotiations among the parties concerned on the basis of withdrawal of foreign troops, stoppage of all forms of outside interference, and preserva-

tion of the independence, sovereignty, territorial integrity and non-aligned status of Afghanistan." While its call for the removal of "foreign troops" remains oblique, the "outside interference" is obviously intended for Moscow's consumption. In India's view, the U.S. has also contributed to the sustained regional and international tension over Afghanistan, but the forthright formulation of policy on Afghanistan is unlikely to sit comfortably in the Kremlin. The Soviet Union is also men-

tioned where the report attacks superpower competition in the Indian Ocean. After pointing out that the U.S. has converted the island of Diego Garcia into a major naval base, the report adds: "The USSR, France and Britain have stepped up their presence in the region."

The criticism of the Soviet Union is balanced by the acknowledgment that Russia "showed understanding of the independent policy pursued by India, particularly its adherence to non-alignment."

attacked for its decision to supply sophisticated arms to Pakistan. The report says wide spread concern exists in India "over the U.S. attitude to peace and stability in the sub-continent."

Another area of disagreement with the U.S. was its decision to suspend further shipments of fuel for India's atomic power plant at Tarapur.

The relationship with Pakistan has been recorded in terms that do not suggest early improvement is expected.

New Delhi to borrow from ADB

By Our New Delhi Correspondent

THE Asian Development Bank (ADB) has agreed in principle that India can borrow from it from next year. This clears the way for loans to India from the institution for the first time since it was founded in 1966. India's borrowings from the ADB will be sizable.

The amount will be worked out when the bank replenishes its capital resources, but the Indian Government would ideally like to get about \$400m a year, or about \$2bn (£1.1bn) in the next five years.

This will help India tide over the balance of payments crisis it now faces because of its large trade gap of more than Rs 55bn (£3.2bn) a year and the cut in loans from the World Bank and the industrialised countries.

The shortage of foreign exchange forced the country to take a three-year loan of \$5.5bn from the International Monetary Fund last year and the Indian Government is exploring other sources of borrowing.

India's external financing programme, like those of most developing countries, has been badly hit by the 50 per cent cut in the outlay of the World Bank's soft-loan programme because of the cut in U.S. contributions.

India has told the ADB, mainly to assuage the fears of its traditional beneficiaries such as Bangladesh and Sri Lanka, that it will not for the present borrow from the Asian Development Fund, the bank's soft-loan "window." All loans will be from the Ordinary Capital Resources (OCR) of the ADB.

Nearly all ADB beneficiaries in Asia have expressed fears that if India starts borrowing, their share of loans will go down.

India has argued that the poorer Asian states will not be affected.

Fierce competition for India's third car

BY K. K. SHARMA IN NEW DELHI

THE SCRAMBLE by Japanese, British and French companies for collaboration with the Indian nationalised company of Maruti to manufacture a new car for the Indian market will end within a few weeks. By then, Maruti's board will have vetted various offers and select the collaborator for the initial production of 35,000 cars a year.

Japan's Daihatsu and Nissan, France's Peugeot and Renault and Britain's BL are all at the ready. There is plenty of competition because Maruti has withdrawn the original stipulation that the collaborator should undertake to export a substantial part of the cars manufactured in the plant set up by Sanjay Gandhi, the deceased son of the Prime Minister, in Haryana state.

Indians will now finally have the choice of a third car. For more than three decades they have been limited to a choice of two obsolete models made by Hindustan Motors (the Ambassador, based on a 20-year-old design by Morris of Oxford) and Premier Automobiles (the Premier based on design of equal age by Fiat of Italy).

imported for use by Indians and so the two automobile companies have had a captive market for what are not only obsolete but extremely expensive models. Both the Ambassador and the Premier sell for more than Rs75,000 (about \$4,500) and the standard saying about them—no longer a joke—is that every part of both cars makes a noise except the horn within a few months of purchase.

The manufacture of the Maruti will at last relieve the monotony of just two types of car on Indian roads. It is probably because of the coming competition that both Premier and Hindustan Motors are also to change their own models. Premier has entered into an agreement with Fiat of Spain and Hindustan Motors with Vauxhall of Britain for purchase of secondhand tools for models that will start to be manufactured in a couple of years.

For various reasons—the price of the cars and the cost of petrol and the obsolescence of the models—the Indian market for cars is minuscule for a country with a population of 685m. In 1980, only 30,538 Ambassadors and Premiers were

manufactured, far less than the peak production figure of 28,019 in 1977.

Low production levels notwithstanding, there are not enough buyers. Even so, production in 1982 is expected to be 48,500 and this will increase when the Maruti and the two new models by Premier and Hindustan Motors come onto the market.

Car output is, however, the smallest element of the Indian automobile industry. In the last few years, manufacture of commercial vehicles, jeeps, scooters, motor cycles and tractors has risen rapidly. There are more than 40 manufacturing plants and the number is growing, partly with the help of foreign collaborators but mostly due to local efforts.

The industry is dominated by the commercial vehicles sectors in which seven companies operate. The dominant manufacturer are Tata Engineering and Locomotive Company (Telco) and Ashok Leyland, both of which export part of their production. The seven manufactured 68,311 commercial vehicles in 1980, accounting for 46 per cent of the total production value in the automobile industry.

The focus is on scooters and mopeds, treated as family vehicles by Indians because of the cost of cars and fuel. A common sight in India is a scooter driven by a man, his wife clutching a baby on the pillion, a child standing between the man and the handlebars and another perched precariously on the luggage rack; a family of five on a vehicle meant for two.

The scooter came originally from Italy, but it has rapidly been "Indianised." The Vespa is now made by Bajaj Auto under its brand name of Bajaj and has markets in a number of countries in the world. The Lambretta factory was bought outright by the Indian government and set up in Lucknow.

The exception to the trend is Telco, which originally produced its trucks in collaboration with Mercedes Benz of West Germany but now makes and develops them under its own brand name. Telco plans to increase its installed capacity from 36,000 vehicles to 56,000 vehicles at cost of Rs 13bn. Telco's rival, Ashok Leyland, a subsidiary of BL, is to expand its present capacity of 13,000 trucks to 25,000.

S. Africans braced for tough budget

By Bernard Simon in Johannesburg

SOUTH AFRICANS braced themselves yesterday for a second round of tax increases in the 1982/83 budget, due to be presented by Mr Owen Horwood, the Finance Minister, to Parliament today.

Mr Horwood announced a 10 per cent import surcharge and an increase in sales tax from 4 per cent to 5 per cent in a "mini-budget" on February 11, but the recent drop in the gold price and dim prospects for exports have made a further rise in taxes unavoidable. "There are no soft options in framing the budget," Standard Bank said in its latest economic review.

Tax revenues from gold mines, by far the largest single taxpayers, are expected to fall to around R1.4bn (£748m) in 1982 (assuming an average gold price of \$320 an ounce), from R2.1bn last year and R3.5bn at its height of the gold boom in 1980.

Platinum and diamond mines' tax payments have also been eroded by the downturn in world mineral markets. Rustenburg Platinum, the world's largest producer of platinum group metals, announced earlier this week that tax provisions for the six months to the end of February were only a quarter of the R49.7m paid in the same period last year.

Mr Horwood is expected to announce higher taxes on companies and individuals today (possibly in the form of a long-term, low-interest loan to the state), as well as additional duties on drink and tobacco.

The Budget will be tough in other ways too. Even defence outlays, regarded as one of the "untouchable" components of recent South African budgets, are unlikely to rise as fast next year as the increase of over 30 per cent expected this year.

Instead of cushioning the expected slump in business activity over the next year, parts of the public sector are likely to contribute to the downturn. The overall increase in Government spending budgeted for 1982/83 is unlikely to be much higher than the present inflation rate of 14 to 15 per cent.

Mr Horwood has had to take account of unexpectedly severe pressures on South Africa's balance of payments, caused partly by the fall in gold and other mineral earnings, and partly by a very rapid increase in imports, which rose by 23 per cent in value last year.

The deficit on current account for 1982 is now projected at about the same level as last year's record R4.5bn, although fluctuations in the gold price could push the deficit higher or lower. The authorities have shored up the reserves by extensive foreign borrowing and the conversion of part of their gold holdings into foreign currency by means of gold "swaps." South Africa has begun drawing on its facilities with the International Monetary Fund, and is understood to be negotiating further IMF credits. But the authorities cannot afford to rely on capital inflows, particularly if the gold price remains weak.

NORTHERN ROCK CHAIRMAN REPORTS SOUND PROGRESS



Mr. K. A. Clark, T.D., F.R.I.C.S., Chairman

At the Annual General Meeting held on 23rd March, 1982, an optimistic Kenneth Clark, Chairman of Northern Rock Building Society reported a year of sound progress against a background of increased competition for savings and investments.

In his report Mr Clark made the following points: Assets: Assets at 31st December, 1981 totalled more than £782 million which represented an increase of 15.07% on the previous year. Liquid Funds: At the year end liquid funds were in excess of £155 million, representing 19.86% of total assets. Reserves: Reserves increased in over £29 million, equal to 3.79% of total assets. Advances: The Society advanced a record £153 million to 14,662 families (also a record) to purchase or improve their own homes. Investments: Over 108,000 new savings and investment accounts were opened, the greatest figure achieved in any one year.

NR NORTHERN ROCK BUILDING SOCIETY People with your interest at heart. A Member of the Building Societies Association. Authorized for investment by Trustees. Assets exceed £782 million. CHIEF OFFICE: Northern Rock House, P.O. Box No. 2, Gosforth, Newcastle upon Tyne NE3 4PL. Telephone: 0632 857191. Consult telephone directory for your local branch.

CWM RHONDDA advertisement featuring musical notation and a list of brands: Dunlop, G Plan, Revlon, Berlei, British Airways, Hotpoint, Kraft, Kellogg's, Esso, Hoover, Sony, Metal Box, Ferranti, Ford. Includes text: 'more. (many more), And there's room for many more.' and contact information for the Welsh Development Agency.



AMERICAN NEWS

WORLD TRADE NEWS

Steady decline continues in U.S. inflation rate

BY ANATOLE KALETSKY IN WASHINGTON

THE U.S. inflation rate continued to decline steadily in the U.S. last month, according to the February consumer price figures published yesterday by the Commerce Department.

Petrol prices have fallen by 2.8 per cent over the past 12 months. New car prices fell by 0.8 per cent in February as a result of aggressive price-cutting and rebate schemes by the main manufacturers.

over the next 12 months to average around 7 per cent. The reason is that the sharp falls in energy prices are masking continuing increases in other goods and services.

Reagan 'backs balanced budgets'

BY OUR WASHINGTON CORRESPONDENT

A CONSTITUTIONAL amendment requiring the federal Government to maintain a balanced budget will almost certainly be endorsed by President Reagan, a member of the Council of Economic Advisors said yesterday.

Although Mr Reagan supported the idea of such an amendment during his election campaign and has since made clear his sympathy for the principle, there are still misgivings within the Administration about tying the President publicly to such an aim.

Nevertheless, the continuing weakness of oil and other commodity prices does suggest that the assumption of a 6.6 per cent average increase in the consumer price index during 1982 contained in President Reagan's budget may be much more realistic than had previously been suggested.

Nato to press for arms talks

By Reginald Dale in Colorado Springs

NATO defence Ministers yesterday began a two-day meeting of the alliance's nuclear planning group at which the U.S. was expected to come under pressure from its allies to move rapidly ahead with a new round of strategic arms negotiations.

Extreme Right takeover in Salvador feared

BY HUGH O'SHAUGHNESSY

U.S. officials are hinting that the Reagan Administration may be obliged to halt its military effort in El Salvador if that country is taken over by right-wing extremists after the next Sunday's elections for a constituent assembly and new provisional government.

possibility. Since December when he launched his election campaign, Major Roberto d'Aubuisson leader of the extreme Arena Party, has been hiding vigorously for power. Recent polls show that he may come second to President Duarte and his Christian Democratic Party in Sunday's election.

Brazil GDP down 3.5%

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL'S per capita gross domestic product fell by 3.8 per cent last year, according to the latest Central Bank statistics. This resulted partly from the restrictive monetary measures taken by the Government to bring the inflation rate under control.

The Central Bank says there was a significant real reduction in investment. Adjusted for inflation, it was down by 10.1 per cent. By comparison, foreign investment measured in current dollar values rose by 15.5 per cent. Last December, total foreign capital invested in Brazil stood at \$19,250m (\$10.7bn).

Indonesia orders British buses

By Kenneth Gooding, Motor Industry Correspondent

INDONESIA has ordered double-decker buses worth \$20m from Britain.

Leyland, the BL subsidiary, and Volvo Trucks (Great Britain), part of the Swedish group, will each supply 180 buses.

The vehicles will go to provincial cities throughout the republic and be the first double-deckers seen outside Jakarta.

They are part of a new transport system to increase urban mobility as part of the industrialisation process.

Plessey in joint U.S. sonar deal

By Nick Garnett, Northern Correspondent

PLESSEY MARINE, in conjunction with General Electric of the U.S., has won a contract to develop a new mine-hunting sonar system for the U.S. Government.

The two companies, which have been working together for about a year, won the contract in competition with foreign manufacturers.

They had been working independently on a mine-hunting system, but decided that formation of a joint team would be the best method of securing the contract.

Japan to counter EEC action

BY PAUL CHEESBRIGHT, WORLD TRADE EDITOR

THE JAPANESE Government yesterday shrugged off the EEC's decision to start action against its import policy under Article 23 of the General Agreement on Tariffs and Trade (Gatt).

Mr Shintaro Abe, the Minister for International Trade and Industry, said in Tokyo that Japan had no objection to the EEC move. Japan, indeed, would be ready to point out the EEC's own discriminatory measures against Japanese goods.

The EEC decided on Monday to start formal talks with Japan under the banner of the Gatt disputes settlement procedure.

If the talks break down, as seems likely, Gatt signatories will appoint an independent panel to adjudicate on the dispute.

The EEC will charge that it has not received adequate benefit from trade liberalisation measures and will address the issue of what it calls "Japan's low import propensity".

Mr Abe said Japan would decide how to deal with the EEC move after it knew exactly what it was required to discuss. But his general comments suggested that Japan would adopt within the Gatt the general line of argument that it is more sinned against than sinning.

Although the EEC is increasingly perturbed about its trade deficit with Japan—now put at \$10bn (£3.8bn)—a year and rising—the general line of the Japanese argument, consistently pushed forward, is that the EEC operates a more restrictive import policy than Japan itself.

Japan concedes that it has global import quotas on 27 products, of which 22 are agricultural, but points out that the EEC maintains 89 global import quotas. It has charged that the EEC has in place discriminatory import quotas against 37 Japanese products.

The Tokyo Government also maintains that into account the results of the round of multilateral trade negotiations during the 1970s is 3 per cent against an EEC average of 5 per cent.

But average tariff rates are not an indication of tensions. The problems arise in the departures from the norm. Thus, in the UK, the Cocoa Chocolate, and Confectionery Alliance, and the Cane and Biscuit Alliance comment harshly on the Japanese tariff rates for their products, ranging from 33 to 40 per cent.

Australia hopeful for coal exports boost

BY WONG SULONG IN KUALA LUMPUR

AUSTRALIA SEES bright prospects of exporting large volumes of coal to the Asian countries in the mid-1980s.

Mr Doug Anthony, Australia's Trade Minister, said in Kuala Lumpur yesterday.

A Ministry survey concludes that by the mid-1990s, Malaysia, the Philippines and Thailand could be importing as much as 10m-12m tonnes of coal as they switch from oil as energy.

Mr Anthony said Indonesia was likely to exploit its own coal reserves, while another ASEAN country, Singapore, had not decided whether to switch to coal.

Mr Anthony said in talks with Malaysian leaders that he understood Malaysia was looking to Australia as a coal supplier.

Malaysia's first coal-fired power station at Klang is to be operational by 1984, and will require 1.5m tonnes of coal, while cement factories could need another 1m tonnes if they switch from fuel oil.

Malaysia is also building two giant sponge iron plants by 1988, and needs to import 2m tonnes of iron annually, to be supplied by Australia.

Because of Malaysia's range of resources, Mr Anthony said he expected Malaysia's economy to grow impressively, making the country an increasingly important market for Australia's agricultural commodities.

Two-way trade last year was US\$ 670m (£322m), with Australia enjoying a surplus of \$270m.

Further delay likely for video disc system

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

THE MARKETING of Japan's VHD video disc system, which was originally supposed to start last October and was then rescheduled for April this year, is likely to be postponed again.

The reason for postponement is that the sales of the competing video disc systems developed by RCA and Philips in both the U.S. and Japan have so far been extremely disappointing. This is attributed to poor economic conditions in both countries.

Another problem seems to be the impact on the potential demand for video discs of the more versatile video tape recording machines (VTRs) in which Japan has a virtual monopoly.

The VHD disc system was developed by Japan's Victor Company (JVC), an affiliate of Matsushita Electric, which also pioneered the highly successful VHS system for video tape recording.

JVC declined to confirm definitely yesterday that it had decided to postpone release of the system beyond the April deadline. However, a spokesman for Matsushita indicated that this was being considered and that a decision might be reached soon.

The dozen or so Japanese electronics manufacturers that have signed agreements either to use Victor's technology or to market VHD sets supplied to them by Victor on an OEM basis appear to have little hope that the system will actually go on sale in April.

One depressing pointer to the likely demand for VHD in Japan's domestic market has been the sales performance of a Japanese version of the Philips laser-vision system marketed in Japan since last autumn by Pioneer.

Pioneer originally expected to sell about 5,000 units a month of its system, but actual demand has been running at barely half this level. An export version of the Pioneer video disc, which was released in the U.S. in June 1980, has so far sold a mere 3,000 units.

Pioneer claims that a limited choice of "software" is one reason for the extremely modest level of demand for its video disc equipment. It has so far released 160 film or program titles.

JVC, which will be the sole source of software for the VHD system—at least in its early stages—expects to release 100 titles by the time the recording equipment goes on sale.

Japanese companies selling VHD equipment under licence from JVC will be dependent on JVC software and so cannot go ahead with their own marketing programmes until JVC gives the lead.

One top Japanese electronics manufacturer, Sanyo Electric, plans eventually to market all three versions of video disc equipment, but is marking time at present.

Sanyo's version of the RCA system (the cheapest of the three) went on sale in the U.S. last November, but the company says it is now "taking a rest" following initial sales that were less than encouraging.

Michael Holman, recently in Nairobi, assesses the effects of French credit offers UK faces challenge over Kenyan projects

LORD CARRINGTON'S public message in Nairobi had a touch of the stiff upper lip: British companies are not afraid of competition," the Foreign Secretary told Kenyans during a lunch in his honour earlier this month, "provided that they are allowed to compete on equal terms."

It was an oblique reference to the tactics of challengers in what has traditionally been Britain's most rewarding export market in East Africa.

Kenya has become another test case in the competition for exports between industrialised nations, who offer a mixture of aid and trade credit—soft and hard credit terms—to win orders in an increasingly cash-starved market.

French companies in particular are making inroads into Britain's dominance through their Government's provision of concessional loans tied largely to the purchase of French goods.

At stake in the battle for Kenya business are three contracts worth more than £100m, as well as longer term prospective telecommunication, railway and cement contracts worth more than £250m.

The immediate competition concerns: The Bnsia sugar project, worth some \$90m. Main contenders are the Kenya-based Mehta group, Booker Agriculture, in conjunction with Fletcher and Stewart of Derby; and Tate and Lyle, with Mowlem.

Seventy-four passenger coaches for Kenya railways, worth some £23m, with further orders for 400 container cars (£14m-£15m) and third-class carriages (£15m-£16m) expected. BRE-Metro, British Rail's marketing arm, is the principal British contender.

Container facilities and port equipment at Mombasa, including jugs and cranes, worth some £26m-£27m. There are further substantial contracts in the offing, though not yet put out to tender. The proposed Kerio Valley Railway is an ambitious scheme to open up northwestern Kenya and provide southern Sudan with an outlet. It would cost about £300m.

A third cement works is under consideration, while in the next two months tender documents for telecommunication projects will be released. They include digital switching for Kenya Posts and Telecommunications, which would be worth about £25m. Main UK contenders for the contract are expected to be Plessey, facing competition from Thomson CSF of France and Hitachi of Japan.

Surrounding all these contracts is what British businessmen describe as ever increasing French interest based on their Government's willingness to offer soft credit. France and Kenya have signed two protocols so far—one in 1979 worth FF 150m (£13.3m), and one in January 1981 worth FF 234m—with a further FF 50m provided last August.

French officials in Nairobi say that a further protocol will be signed this year which will be "much bigger than the last one." They also say that the facility will now be provided annually.

It is a mix of soft and hard terms—the former at between 3.5 per cent to 4.5 per cent interest over 25-35 years—but French officials will give no more details.

A French diplomat acknowledges the frosty reaction from the British Government, and puts it down to historical antagonism: "We have the ashes of Joan of Arc between us," he says with a smile.

It is a familiar picture throughout Africa. Kenya, like most countries on the continent, has a serious balance of payments deficit and an acute foreign exchange problem. Meanwhile, competition among industrialised states for the markets abroad intensifies.

Soft credit facilities are very tempting," says one Kenyan official, "even though there could be long-term costs—such as compatibility of existing and new equipment, the prices of spare parts, and so on."

During his stay in Kenya, Lord Carrington reminded his hosts that Britain was the leading aid donor—around £27m in the past financial year. Britain was also, he pointed



Lord Carrington

out, Kenya's largest trading partner. UK exports to Kenya were worth £174m in 1980. This represented 47 per cent of the market, compared to 23 per cent in 1979.

British officials in Nairobi estimate that trade fell as much as 40 per cent last year. This mainly reflected Kenyan measures to restrict imports, but also illustrated the encroachment of competitors—Japan, West Germany, the U.S. and France.

Britain, of course, offers incentives of its own. In the three contracts under competition—the Busia project, supply of railway coaches and Mombasa port facilities—there would be a substantial aid component if they were to go to British companies. Each would qualify for as much as £5m from the Aid for Trade Provision (ATP), a government fund which helps UK exporters compete with subsidised competition. One ATP condition is that there should be a development purpose served, and all three projects qualify.

While in Kenya, Lord Carrington told his hosts that recovery from the recession "will be a bumpy road, but I believe we should travel it together." With a parting plug for British industry, he added: "If possible in a Land Rover rather than a Toyota truck."

Despite agreement on defence cuts, the armed forces have yet to be moved on tentative plans for the privatisation of the military-controlled industrial complex of Fabricaciones Militares. The Navy, which heads the Atomic Commission, is holding out against cuts in the ambitious nuclear spending programme.

Argentine economic policy is at the transition stage but, as government ministers admit privately, it is still far from generating the necessary confidence. The country is in a deep recession and a run on the peso earlier this month indicated that speculation is far from ended.

Mr Alemann was born in Switzerland and has an open, practical, and essentially honest approach to life, but he is moving in a highly complex political world where vested interests remain deeply entrenched. For the moment he appears to have taken comfort in the fact that President Galtieri is proving a more resolute character than his predecessor, and that the Junta remains bent on creating the institutional arrangements necessary for political stability and a strong economy.

After 100 days in office Mr Alemann's nationalisation plans are still at the drawing board stage, although apparently on schedule to meet the target date of April 23 set by President Galtieri.

The 1982 budget has yet to be finally approved. Mr Alemann's ability to persuade the military to go along with his austerity package will crucially depend on the success of his programme.

Indeed, a great many military officers have already been replaced by civilians at the head of state companies as a result of Galtieri's reforms. The state hydrocarbons monopoly Yacimientos Petroliferos Fiscales (YPF), and the public telephone company ENTEL, are among the main companies which have been affected.

Galtieri has also taken a significant initiative on human rights announcing that the authorities are preparing a provisional list of those who have disappeared and will soon talk directly with the families of the victims. Quite apart from the more visible examples of the liberalisation such as the relaxation of censorship on the bookstalls and in the cinemas, the Government has let it be known that it is poised to drawing up the long-awaited statute for political parties.

This statute is expected to restrict political activity to the four main political parties that can gather a minimum number of members. Although it will prohibit any groups with Marxist tendencies, the result will probably be a major realignment of political forces with the emergence of a civil-military party along Brazilian lines at the expense of the

Peronists and the radicals, the two major traditional parties.

The old bastion of Peronism, the General Confederation of Labour (CGT) has announced that it will step up its demonstrations against the Government. The state meeting in front of the Presidential palace in May Square on March 30, the historic setting of General Peron's mass rallies. Meanwhile, every day the newspapers record the latest protests against the regime from opposition party leaders.

St Roberto Alemann, the Economy Minister, has stirred public criticism of the regime by the pursuit of his economic policies. Applying strict orthodox principles, Alemann has set about his fight against inflation, a wage freeze, the preparation of a tough austerity budget and a major attempt to return the public sector to private hands.

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The authorities have also made much of the announcement that military spending would be cut by 10 per cent, and that the salaries of military officers, from junta members to lower ranks, would be kept in

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Argentina's economic problems raise hopes for return to civilian rule

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA'S military junta headed by President Leopoldo Galtieri, is expected to mark the sixth anniversary of the country's military takeover today with a pledge that the armed forces are firmly embarked on the road to democracy.

The removal of President Roberto Viola by General Galtieri in a carefully orchestrated palace coup three months ago prompted speculation of a return to right-wing authoritarianism under military protection. Gen Galtieri's reputation, in particular, had placed him in the forefront of the fight against left-wing guerrillas and as an opponent of open dialogue with political parties.

There is growing pressure for a return to civilian rule, however, and the prestige of the armed forces has diminished. Last June the country's bishops, a traditionally highly conservative faction, ended their sequestration with the regime by calling for a return to the rule of law and democracy. At the same time, the military itself revived divisions with declaration by Admiral Emilio Massera, a former Junta member, and General Juan Carlos Onganía, a former president, that the regime had lost all popular support.

Such defections have contributed to the growing confidence of the outlawed political parties and the historically powerful trade unions which were severely disrupted by the coup in 1976. Faced with a widening opposition, the military have found it increasingly difficult to justify remaining in power.

Initially the coup had the support of many Argentines who were prepared to accept a military solution to the political and economic chaos submerging the country.

On balance, the military's economic record over the last six years has not been good. Last year Argentina's inflation was one of the world's highest at 131.3 per cent its Gross Domestic Product fell by 6.1 per cent, the sharpest decline for over 20 years, and its currency, held at an artificially overvalued rate since 1976, collapsed against the dollar.

The Galtieri Government has moved fast to try to pick up the pieces of the "Process of National Reorganisation." The President himself has gone out of his way to dispel whatever preconceptions might have surrounded him. In striking contrast to the retiring and unapproachable natures of his two predecessors, Generals Viola and Videla, the new president has donned civilian clothes and gone on frequent public walkabouts around the country. He has tried hard to dispel the image of the armed forces as a privileged class and has taken the lead by declaring publicly the value of his material possessions: \$180,000.

Undoubtedly the most publically conscious event was held last month when the Presidency laid on a free barbecue for over 10,000 people in the middle of the Pampas, south of Buenos Aires, with free transport provided for many of the town-

lems which have caused the military regime's unpopularity.

With the gradual relaxation of censorship and the diminishing role of the death squads, many Argentines look at the past with suspicion, if not with a deep sense of shame. That the whereabouts of over 6,000 people who have disappeared have yet to be officially confirmed has at last emerged as one of the country's most sensitive political issues.

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If human rights has become a convenient stick with which to beat the armed forces, it is the underlying economic problem that attended.

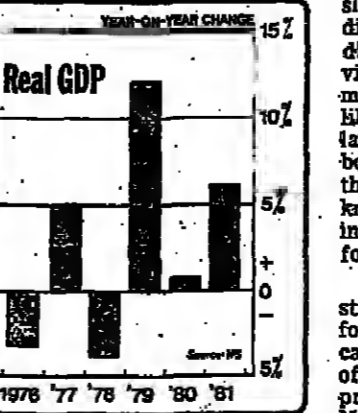
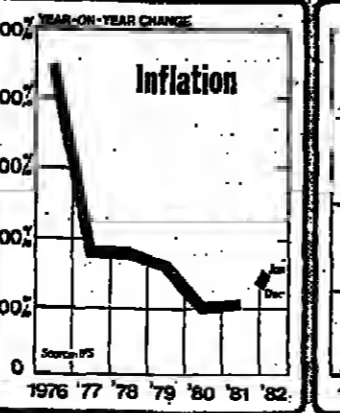
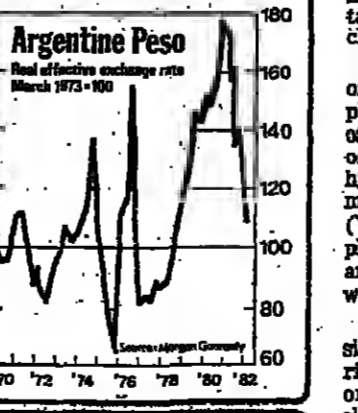
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Leopoldo Galtieri, President



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مركزنا العربي

# How Can We Cooperate For a Freer World — Japan's Efforts

Mr. Naohiro Amaya is Special Adviser to the Minister of International Trade and Industry in Japan, long experienced in trade negotiations with Europe and America.

Dick Wilson, the freelance journalist and former Editor of Far Eastern Economic Review, interviewed him on the current stresses and strains in trade relations with Japan.



Special Adviser to the Minister of International Trade and Industry, Mr. Naohiro Amaya (left) interviewed by Dick Wilson

### Three pillars of the free world

Wilson: What is your assessment of Western Europe's current economic problems?

Amaya: Not only the Western European, but also the American and Japanese economies are sick.

Wilson: Why?

Amaya: I would give three causes of the disease. One is the dislocation of resources caused by the astronomical rise in oil prices. The second is what I could call the shrinking of economic frontiers. After the war we had a tremendous pent-up demand for goods, and also the dissemination of new technology from the US. These opened up great new frontiers for everybody. But today they are shrinking.

Wilson: I suppose it has become a smaller world, in that way. What is your third diagnosis?

Amaya: The sad decline of the co-operative spirit in Europe and the US. Of course man is homo economicus, but for an economy to be healthy there must be a balance between co-operativeness and egotism, in people as well as in companies or nations. I believe that companies in Japan preserve this community spirit healthily enough, but in Europe and America it seems to be diminishing.

Wilson: You mean pulling together within a company instead of striking?

Amaya: Yes. I have just been to visit President Kennedy's tomb at Arlington Cemetery in Washington, and you know what is quoted there: Ask not what your country can do for you, ask what you can do for your country. This applies to industrial firms too. To facilitate efficient and profitable production, workers should think what they can do for the company, while the company should think what it can do for the workers.

Wilson: That sounds like something which will take a lot of mending. Meanwhile we have at this moment an up-

surge of protectionist feeling in Europe which is particularly felt by Japan. What do you feel about that?

### Avoid becoming a protection addict

Amaya: We are very concerned indeed. If you have a tummy ache or a headache it is all too easy to reach out for some drug, to ease the pain — but then you get addicted. Similarly with a country, it can become a protection addict and that will provoke a chain reaction among other countries.

Wilson: So what can you do about it?

Amaya: We are all in a very difficult situation, and our economies are highly interdependent. We have to understand each other's problems and co-operate. We recognise, for example, that European industries such as cars, TV's machine tools and steel are in the painful process of restructuring. Japanese industries are being prudent about their exports in order to make progress in these efforts.

Wilson: These are the industries which have complained of Japan's "laser-beam" export campaigns threatening their survival.

Amaya: Those complaints led us to advise industries to be prudent about their exports. It shows that we are not deaf to the protestations of European producers.

### Encourage you to sell more in Japan

Wilson: The other big grumble is over European access to the Japanese market.

Amaya: You claim that our market is closed. We disagree. It is true that like our trade partners we have some barriers, but you must admit that we are reducing them. We recently advanced by about two years the schedule of tariff reductions agreed in the Tokyo Round of trade negotiations. We have

taken on board foreign complaints about customs inspection procedures and are abolishing or simplifying 67 of them.

We have set up an Office of Trade Ombudsman to resolve expeditiously the difficulties encountered by European exporters. We must, of course, go further in reviewing the residual import barriers.

Wilson: Will all this significantly raise European exports?

Amaya: It will, if European salesmen try hard enough. A hundred years ago British businessmen could trade with Japan while sitting comfortably in their offices. We Japanese had to come London or Paris to buy or sell, but until quite recently European exporters never went to Japan and knew very little about the Japanese market. Japanese businessmen, by contrast, learned a lot about the European markets. So there is a huge imbalance of knowledge and information in our favour. As Francis Bacon said, "knowledge is power", such lack in power appears to be the biggest single obstacle to your penetrating the Japanese market.

Wilson: In that case it may take some time to change for the better. Do you regard this trade imbalance between Japan and Europe as structural, likely to persist?

Amaya: You have big deficits with the US and some developing countries, while the EC has big surpluses with Switzerland and Austria. In a sense that is structural. It is impossible for us all to balance our trade bilaterally with one another all the time. From about 1868 to about 1935 Japan had chronic trade deficits with the UK and Germany. In the first couple of postwar decades there was a balance, and only in the past decade or so have we gone into chronic surplus with you. In theory it is the overall balance of payments, the multilateral outcome, that matters. But in practice people do

worry about their bilateral trade balances and so we must encourage you to sell more in our market — while you do more homework, too.

### Industrial cooperation will help revitalize our economies

Wilson: Are you doing anything else to keep free trade alive in these dark days of recession?

Amaya: Oh yes. One sector in which European industry is lagging behind is the semiconductor and computer side of electronics, where Japan is currently doing relatively well. We believe that cooperation agreements between Japanese and European companies will help revitalize the European economies. We are good at production technology, whereas the British excel in invention and developing new ideas. It should be a good exchange.

Wilson: Will Japanese investment in Europe grow strongly in the next few years?

Amaya: In sectors where we have a comparative advantage, like electronics, it should. The Japanese government certainly encourages Japanese firms to invest in Europe or exchange technology there.

Wilson: But the conditions imposed by European governments on Japanese direct investment can be severe? On component procurement, for instance?

Amaya: That is true, and we also find that our investment in one country is not always welcomed in another EC-member country. There is one more point I would like to make about the trade imbalance. Nowadays about half of the work force in countries like ours are in service industries, so trade in services — the so-called invisible account — really is important. And here the balance is in your favour. You should really take that into account when you worry about the imbalance in trade in goods with Japan.

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UK NEWS

Closures pact in high alloy castings

BY RAY MAUGHAN

AGREEMENT has been reached on extensive rationalisation in the high alloy sector of the UK steel castings industry. Under the terms of the voluntary closure scheme, put forward by Lazard Brothers, the merchant bank, five of the 16 companies in the sector will cease production. The remainder will pay a levy over a five-year period towards closure costs. Companies participating in the scheme represent 95 per cent of total UK open market production. Those which have elected to close account for 22 per cent of more than 5,000 tonnes of high alloy production annually. Companies deciding to remain in production will pay an annual levy to those closing for five years, with the larger payments deferred until the later years. The levy will be supplemented by the grants made available by the Department of Industry. The closures are expected to total 400 redundancies from a near sector workforce of 1,500. The NEDO Foundries Economic Development Committee, which takes in employers, trade unions and Government, has accepted that substantial job losses are likely because of the chronic overcapacity in the industry. Compensation will be paid in four parts to those companies deciding to close. They will receive an immediate lump-sum payment as a contribution to closure costs, followed by single, smaller payments in instalments paid after 45 months, 51 months and 57 months. Lazard said yesterday that it is pursuing the possibility of similar schemes for the other sectors of the industry. The merchant bank also hopes that its rationalisation plan for the general castings sector — producing some 135,000 tonnes annually — can be revived. These proposals appeared to have been quashed earlier this year when it was announced that the largest company in the sector, F. H. Lloyd Holdings, had decided not to participate. However, Lazard understands that Mr Lewis Robertson, Lloyd's new chairman, is reviewing the group's decision. He is expected to decide within weeks whether the group will participate after all.

Table with 3 columns: HOLDING COMPANY, FOUNDRY, LOCATION. Lists companies like APV Paramount Ltd, Bonar Westcroft Castings Limited, British Steel Corporation, etc.

Employers told to shoulder responsibility for training

Alan Pike and Gareth Griffiths report on the Institute of Directors' convention in London

PRIME RESPONSIBILITY for improving Britain's industrial training performance was laid on employers by Sir Richard O'Brien, chairman of the Manpower Services Commission. "What we do or do not do depends upon you — the employer. It does not depend on the Government, the MSC or the trade unions although all have a part to play," he told the convention. Sir Richard told the directors that investment in the men and women who worked for them was inadequate in Britain. It was often misdirected, ineffective and gave too little return. "If we do not make this investment, Britain will not be as prosperous as its Continental competitors, and certainly the Japanese. Economic recovery will be slower and employers will find their businesses are less profitable and people will suffer." Competitor nations made this investment for economic reasons and Britain must do the same. Economic survival required a trained, productive, competent, adaptable and well-motivated workforce. "To get this, we must have investment in employers in training and retrain-

"This is right because what we are doing is preparing the young person for working life in the interests both of the employer and society as a whole. Training for particular skills comes later." If opportunities of this kind were made available, there would be a right to ask schools to prepare their pupils for the kind of training and work experience which they would face when they entered work. Sir Richard warned that many companies might not be able to take advantage of the economic upturn because of a shortage of technical and professional skills. Employers needed to change or upgrade the skills of existing workers. "The apprenticeship system, the traditional way of teaching people skills, is beginning to crumble because it does not match up to industry's needs." The target for the introduction of standards throughout British industry and commerce agreed by the TUC, CBI and education representatives on the Commission, and subsequently agreed by Government, was 1985. "We have no time to lose."

Oil industry moves to put up petrol prices

BY SUE CAMERON AND RAY DAFTER

THE OIL industry is making a concerted effort to reduce its subsidies to dealers and push up pump prices in many towns and cities by about 5p a gallon. The widespread move, which follows a Shell initiative, is aimed at reducing the industry's losses on refining and marketing operations. One major oil supplier, Texaco, warned that prices at some stations could rise by substantially more than 5p a gallon. British Petroleum said its BP and National brand petrol would cost more from midnight last night. BP Oil, the UK refiner and marketing operation, said it could "no longer sustain the heavy losses" on petrol sales. Losses on its petrol business had been running at £5m a month—the amount it had been paying dealers in support of lowered pump prices. From today BP Oil is reducing its price support by £5.5m a month to £1.5m.

BP said it hoped the average price of four star petrol in some towns and cities would rise from 155p a gallon to 160p as a result of its decision. It added that prices would have to rise further before it would be able to make a "reasonable return" on petrol sales. Over the last five months pump prices had dropped by about 25p a gallon, BP said. This fall had been considerably more than the percentage drop in crude oil rates. Esso, another market leader with about 3,000 outlets, said last night that it would also be reducing its dealer support as market conditions allowed. Amoco, Conoco (Jet and Globe brands) and Elf are among other companies adjusting dealer support in an effort to raise prices by about 5p a gallon. Texaco—ranked fourth in the petrol retailing league table after Shell, Esso, and BP/National—said that from mid-

Gilts move angers insurance companies

By John Moore, City Correspondent

THE Stock Exchange ruling council met yesterday to consider modifications to its proposed increases on charges made by stockbrokers in the gilt-edged market. A statement is expected today. Although the proposed increases have drawn a hostile reaction from insurance companies which invest funds in the stockmarket, it is not thought that the council are likely to meet the criticisms. The Investment Protection Committee of the British Insurance Association has told the Stock Exchange: "Gilt commission scales are too high and a substantial reduction is fully justified." The insurance companies have said that "no case has been made out for the proposed scale increases, except possibly on small bargains; and rises of 20.8 per cent (on medium-dated gilts) or 7.5 per cent (on long-dated gilts) on deals of £100,000 are not justified by any of the criteria" adopted in a Stock Exchange review of the commission structure. Gilt commissions should be reduced substantially, said the insurance companies. Some adjustment is to be made to the scales but no radical change is planned by the Stock Exchange. Last week the Stock Exchange made a concession in answer to protests from large users of its equity market. Increases, which would have given stockbrokers a 7.3 per cent in commissions, were scaled down to an across the board increase of 4.2 per cent.

Loans move on grants to students

SIR KEITH JOSEPH, Education Secretary (pictured right), told the convention he was considering introducing a loan element into Britain's student grant system.



He said it was not automatically right that the public should pay all the costs of those in higher education, many of whom would go on to relatively well paid careers. Britain was one of the few countries in the West without a loan scheme. Sir Keith said he was preparing a study to take to his colleagues on a system which would be part traditional grant and part student loan. He told the conference he did not believe the only key to good education was money from the taxpayer. What mattered above all was the motivation of the pupil and the effectiveness of the teacher. Consumer choice The great force in education, as in economics, was consumer choice. Through the assisted places scheme and other measures, the Government had attempted to increase this choice. But it might have to consider whether there were other ways in which the Government could increase the choice of parents further.

Newman to be London police chief

By Lisa Wood

THE APPOINTMENT of Sir Kenneth Newman, former Chief Constable of the Royal Ulster Constabulary, as Metropolitan Commissioner of Police from October, was officially announced by the Home Office yesterday following the Queen's approval. Sir David McNeice announced his intention to retire from the £33,170 a year job last week, disclosing that he had been asked last year by Mr William Whitelaw, the Home Secretary, to extend his appointment for a further two years.

Pliatzky leaves ACC board

BY JOHN MOORE, CITY CORRESPONDENT

SIR LEO PLIATZKY, a former top civil servant, yesterday edged his name to the list of departures from the Boardroom of Associated Communications Corporation. Sir Leo offered his own resignation within 24 hours of that of Lord Matthews. The two had sought to vote Mr Robert Holmes a Court, the Australian entrepreneur, out of the chairmanship of ACC, the troubled entertainment empire which the Australian is seeking to take over. Sir Leo and Lord Matthews, with two other directors, failed in their attempt by seven votes to four. Sir Leo said yesterday: "I have been contemplating resignation for a long time. I have remained

on the Board out of consideration for the interests of shareholders and at the expense of my personal self-interest. "The point has been reached at which I do not usefully serve shareholders any more. I am no longer prepared to be associated with it." He received £5,000 a year as a non-executive director but remains a director, at £3,500 a year, of Central Independent Television, in which ACC has a 51 per cent interest. The flood of departures from ACC over the question of possible conflicts of interest of Mr Robert Holmes a Court as chairman of both Lord Grade's entertainments group and the company making the takeover bid has prompted the ACC board to seek other non-executive directors. At least two more independent non-executive directors will be appointed soon. Amid speculation yesterday that the Department of Trade had decided to inquire into the affairs of ACC, the Department said it had no formal request for an investigation. Sir Leo Pliatzky is understood to have sought occasional informal legal advice from the Department but no investigation has been requested.

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FT links with Predicast for computer service

BY JASON CRISP

THE Financial Times is setting up a joint venture with Predicast to provide information from the paper on a computer database. The move follows the recent closure of the FT's Newsbase computer service. Predicast, taken over last year by Information Technology Group, was set up in the U.S. as an abstraction service 20 years ago. Since the early 1970s the service has become available on computer databases. It has 4m records of information of up to 400 words culled from the international business press. In Europe, customers can dial a telephone number at one of the major centres in their country and will be linked to the database in Switzerland via Euronet. In a year, up to 40,000 articles from the FT will be added to the database—either in whole if they are short, such as contracts or appointments, or in the form of abstracts. Predicast has two databases in the U.S. Predicast will prepare the abstracts, although the FT retains a say in editorial quality. By August, information on the database will appear about one week after publica-

Government gives £26.4m in urban aid

GOVERNMENT AID of £26.4m for projects in urban areas, including small factory units and nursery schools, was announced yesterday by Lord Belwin, Parliamentary Under Secretary at the Environment Department. The funding, part of the Government's Urban Programme shows a 49 per cent increase over last year. Projects included in yesterday's allocation include a trade centre in Kingswood, Avon and the creation of a glass museum and visitors' centre at Dudley, West Midlands.

Heathrow 'world's worst' airport

HEATHROW is the world's worst airport say passengers using it, according to a survey conducted by the International Airline Passengers' Association. More than 20 per cent of the people questioned thought Heathrow had the worst facilities for passengers.

Investment account interest rate cut

THE rate of interest paid on the National Savings Bank Investment Account (Inves) is being cut from 13 1/2 per cent from May 1.

Minister insists: 'Automate or liquidate'

THE CHOICE for British industry was stark—automate or liquidate, Mr Kenneth Baker, Minister of Information Technology, told the convention. "The robot does not have to destroy jobs. By increasing efficiency and competitiveness, robots can add up to job security and encourage expansion." Mr Baker said that to achieve

economies of scale enjoyed by their competitors, British information technology companies had to think of arrangements to do "business" on an international scale. The combined turnover of the six biggest British-owned information technology companies was about equal to that of Siemens of West Germany, which was itself sixth in the world league table. "Where do the trends suggest we will be by the end of the decade? We could have a world market share of less than 3 per cent, import penetration of over 70 per cent and a deficit of perhaps £1m in world trade. "These are, of course, only estimates. But it does mean that we are going to have to get our act together and buck these trends."

Crime detection rate to be investigated

LONDON'S POLICE have begun an urgent examination of their relatively low crime detection rate. Sir David McNeice, the Metropolitan Police Commissioner, told the convention. Last year the crime detection rate in London fell to 17 per cent overall. Such a detection rate required considerable qualification, said Sir David but he was concerned that the rate had not kept up with the increase in crime. A rate of 17 per cent was unacceptable, although

for assaults the detection rate was 50 per cent and for murder 87 per cent. The police force had no ready way of balancing the books or simple indicators of performance but "the police force should be capable of satisfying its public that it is giving value for money." He defended the Metropolitan Police's decision earlier this month to publish the racial breakdown of street crime or mugging. "Our motive was to serve the public interest by the publica-

Call to boost free enterprise

THE GOVERNMENT should put more emphasis on implementing free enterprise policies, Mr Walter Goldsmith, the institute's director-general, told the convention. In a speech attacking what he called the sleeping sickness of the British economy induced by trade union power, Mr Goldsmith said the trade union leadership had been the prime source of unemployment and the biggest obstacle to the creation of jobs. He said it was unfair to blame the Government's economic policy for the rise in unemployment. The British economy had run into trouble long before the onset of the recession. However, there were signs of an improved attitude in industry, with productivity last year rising by 10 per cent in spite of an overall fall in output. Profits this year would, he put by an estimated 15-20 per cent

tracking on the need to make immunities dependent on trade unions following procedures agreed with employers before taking industrial action. "Time and again the views of grassroots employers have been made clear. They must not be distorted in the path to government." He urged ministers to resist fiercely any move by the European Commission to implement the fifth directive, which would give trade union negotiators statutory access to company information. Such a move, Mr Goldsmith said, would give British trade unions more economic and industrial power than ever they possessed in the 1970s. The Government should be prepared to veto any proposals on industrial democracy because Britain would face a significant further competitive disadvantage in world markets if the directive was implemented.

OBITUARY

Acton Pierce: City character

THE DEATH of Mr Acton Pierce, senior partner of stockbrokers Seymour Pierce, last Thursday has deprived the City of one of its more colourful characters. Acton Pierce joined the family firm at the age of 21 in 1934, following in his father's and grandfather's footsteps. He served in a gunnery regiment in the Middle East during the war. Seymour Pierce became the specialist City firm handling a steady flow of fund raising issues by independent water companies. Acton Pierce, as the senior partner for the last 16 years, became the doyen of the water companies market. Sporting a handlebar moustache and attired in traditional City uniform of iron grey pinstriped trousers, black jacket and waistcoat complete with gold watch-chain and fresh rose in his button hole, he will be remembered fondly at the Stock Exchange for his dignified Edwardian appearance. The picture was completed by his mode of transport—a 1934 Rolls-Royce inherited from his father. "Outspoken at all times, his own words from an interview in the mid-1970s summed up his approach to business: "In the end I can sell anything because people will take my word. They know I speak the truth."



# Lords petitions threaten Lloyd's Bill

BY JOHN MOORE, CITY CORRESPONDENT

THE LLOYD'S Bill of Parliament for improving self-regulation in the Lloyd's insurance market is threatened by a serious setback. Six parliamentary petitions have been lodged with the House of Lords by opponents of the Bill. This could lead to protracted delay and substantial changes to the legislation.

Lloyd's is promoting the legislation in the form of a private Bill, which has been with Parliament for more than a year. It has only just completed its stages in the House of Commons.

Under the procedure for private legislation, interested parties can frame petitions to seek changes to the legislation. Lloyd's insurance brokers are opposed to a clause in the Bill

which will require them to sell off their shareholding links with underwriting syndicates at Lloyd's.

Other underwriting members of Lloyd's are opposed to proposals that a new Lloyd's ruling council should receive legal immunity protecting it from suits for damages by its members.

Another group of underwriting members are seeking to remove a clause in the bill which classifies the Lloyd's members into working and external members of the market.

The petitions lodged with the House of Lords are:

- A petition by Lloyd's brokers, Alexander Howden, Semhouse Holdings, Minister Holdings, and C.E. Hoest, are opposed to a clause requiring the compulsory divestment of their shareholding links with Lloyd's underwriting syndicates.
- A petition lodged by Lloyd's underwriting agents, Andrew Drysdale Underwriting, Cassidy Davis (in which Willis Faber's underwriting agency holds shares); Holmes Hayday (Underwriting Agencies); R. J. Kiln; Roberts and Elcox and Henry Ralph Roxby-Johnson are opposed to a clause requiring compulsory divestment of brokers' shareholding links with Lloyd's underwriting syndicates.
- A petition by Mr Malcolm Pearson, one of his companies, Pearson Webb Springbett (London); and Mr George Wauchope. Mr Pearson, who heads a small Lloyd's broker,

opposes the clause which gives a new Lloyd's ruling council legal immunity.

● A petition by Mr John Burrows, a Lloyd's underwriting member, who says the classification of members of Lloyd's into working and external members is unnecessary.

● A petition by Mr Nick Parker, Lloyd's underwriting member, who is also opposed to the classification clause.

● A petition lodged by Ms Jacqueline Bush, a claims broker with Alexander Howden, and Mr Duncan Grant, a divisional director of Alexander Howden Insurance Brokers. They are opposed to the immunity clause in the legislation. They argue that if that clause were to pass into law

# Packaging prospects good say economists

By Andrew Fisher

AN OPTIMISTIC view of prospects for the UK paper and packaging industry, which has cut capacity sharply during the recession, is taken by the Economist Intelligence Unit in its latest review of the sector.

But it warns of a shake-up in Fleet Street with casualties in the coming year. Newsprint use is expected to be slack after an estimated 4.5 per cent in 1981 to 1.3m tons.

It says there is firm evidence that profitability in the paper and packaging industry is rising on a broad front, with more and more companies increasingly confident about the future.

# Ulster industry chief faces jobs crisis

BY OUR BELFAST CORRESPONDENT

SIR DESMOND LORIMER, chairman of Lamont Holdings, the property, textile engineering and life assurance company, is today studying Northern Ireland's unemployment figures with renewed concern.

One in five persons is still without a job, underlining the enormity of the task which Sir Desmond faces in his new position as chairman-designate of the Industrial Development Board set up by the Government to spearhead Northern Ireland's struggle to create jobs and broaden its range in industries.

The Industrial Development Board is the Government's answer to criticism that the province's system of separate industrial development institutions has outlived its usefulness in the competitive business of attracting industrial investment.

The new body begins work in earnest this August after the necessary legislation passes through Parliament. It will replace the Northern Ireland Development Agency and the Industrial Development Organisation which is part of the Department of Commerce.

The scale of the problem being thrust upon the Industrial Development Board is illustrated by the loss of 22,000 jobs in the region last year. The number of new jobs promised by Government-sponsored projects and expansions in the same period was 3,500.

Mr James Prior, the Northern Ireland Secretary, this week announced Sir Desmond's appointment and named five of the 12-strong board which will

# How to improve the entrepreneur's image

Mark Meredith analyses the frustrations of a captain of industry in Aberdeen

ONE OF Scotland's most successful businessmen is an angry young man named Ian Wood.

His family company, the John Wood group, builds for and services the offshore North Sea oil industry. Three divisions and 30 companies make the group one of Scotland's largest private concerns with a £70m turnover, more than 1,700 employees and an estimated pre-tax profit last year of £3.2m.

What makes him angry is the attitude he finds in Britain towards the kind of risks he and other entrepreneurs have to take an attitude which finds industry and business slightly repugnant.

In the polite and rather restrained world of Scottish business there are only a few like Ian Wood willing to spoil the party by speaking out. Britain is losing out in the North Sea, he says.

His long sideburns and crumpled suit mark him as a maverick in a room full of pin-striped industrialists.

He fumes over what he calls the apologetic and embarrassed attitude in Britain towards

individual performances in industry.

"We have almost come to accept the inevitability of our industrial decline and far too often management simply abdicates responsibility either blaming government, trade unions or both," he said in a speech.

"If we are to effect Scotland's industrial renaissance our communities must be converted from the view that business and industry are necessary evils to be tolerated by a society which really should dedicate itself to the academies, the professions, the military and public service."

It still rankles that when he went to give a speech at his old school, he was told he was the first industrialist to speak there.

If Mr Wood, at 39, were running things, his headquarters would probably still be in his large, cluttered office in an unimpressive factory building in Aberdeen with crayon pic-

tures drawn by his children pinned on the wall.

Policy guidelines and orders for the day would include:

- A campaign led by the Government, industry and the unions to achieve the necessary attitude and business environment. This would involve a media campaign to re-establish pride in industrial performance.
- A drive to develop an indigenous oil manufacturing skill and technology as well as downstream oil industry activity such as petrochemicals.
- A reasonable degree of protectionism to ensure local and national industries are given the support to get started in oil development.
- The establishment of a business school, possibly in Edinburgh, to rival Harvard to help remove the "branch office" mentality in Scotland.
- A plan for a balanced economy with oil-related industries allowed to grow alongside but not at the expense of traditional Scottish industries.

Mr Wood is worried about the effect the success of North Sea oil is having on the established industries of papermaking, fish processing, textiles and agriculture in East Scotland.

The John Wood Group has had to face the effects of this dual economy because the industry's oil activities have grown from a base steeped in the traditional activities of Aberdeen.

In a joint venture with Driflex UK, the group is about to launch a new system of "down hole drill motors."

These motors, of Russian design, turn the drill on the seabed and not on the platform several hundred feet above. A screw-threaded drill inside a pipe is rotated by mud forced down through the pipe casing.

The merger, in Ian Wood's view, improves the company's image when wooing U.S. companies who might be put off by the diversity of the larger group.

Excessive security radiating from oil-related work, was not good he feels for the traditional activities of fishing, joinery, ship repairs which now form J.W. Holdings.

# Mazda launches new van

By Kenneth Gooding

ANOTHER Japanese vehicle is today launched in the highly competitive UK market for light vans.

Mazda (UK) is introducing the E 1600 panel van made by Toyo Kogyo at a price deliberately pitched below those of its rivals.

The Mazda van costs £4,149 (excluding VAT) compared with, for example, £4,441 for the equivalent Ford Transit 80. It is also cheaper than the Japanese Toyota Hiace which is priced at £4,154.

The big surge in sales of Japanese light vans in Britain last year caused a row between the UK and Japanese motor industries.

But last November the Japanese Automobile Manufacturers Association (Jama) agreed to restrain shipments of these vehicles to cut their share of the UK market for light commercial vehicles from 19 to under 11 per cent.

● Faced with restrictions on volume because of the gentlemen's agreement on shipments of cars from Japan, the importers are pushing up the value of those vehicles they can sell.

The latest example is provided today by Subaru (UK) which says its 1982 car range will cost between £4,993 and £8,488 compared with the existing line-up priced at £4,298 to £5,980.

# Ulster colleges merged to avoid university closure

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

THE GOVERNMENT decided yesterday to merge two of the three higher educational institutions in Northern Ireland, rejecting the recommendations of a three-and-a-half year study that they be kept separate.

The merger scheme is intended to save the New University of Ulster from closure. NUU's 2,500 students are thought to consist of roughly equal numbers of Catholics and Protestants and it is believed that the Government decision is aimed at minimising inter-communal tensions that could have increased had NUU been closed.

NUU is now to merge with the 5,700-strong Ulster Polytechnic. The longer-established Queen's University of Belfast, whose 6,700 students are evidently mostly Protestant, will not be affected.

In preserving the New University the Government has partially accepted the view of the committee of inquiry led by Sir Henry Chilver which was formed in 1978 to consider the future of higher education in Northern Ireland.

The Chilver Committee's final report, published yesterday, however, opposed the merger with the Ulster Polytechnic based in Belfast.

# Railways 'should be converted into roads'

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

A PROPOSAL that private capital be used to convert railways into roads is made in a report published yesterday by the right-wing Centre for Policy Studies.

Mr Angus Dalgleish, author of the report, argues that conversion of the rail network to roads would lead to more than half present traffic being removed from overloaded all-purpose roads.

"This would transform for the better the lives of hundreds of thousands of people and do more to reduce road accidents

than any other action which can be envisaged."

It is "essential to bring in private capital" if conversion is to be carried out quickly and economically, says Mr Dalgleish, a chartered engineer who has spent much of his time working for the Greater London Council in departments dealing with transport policy.

Private capital could be introduced by operating the converted routes as tollroads or turnpikes. A simpler method, he says, would be to install traffic counters on the routes.

The road contractor would then receive payment from the Government based on the number of axes passing, or a refinement could relate payments to the duty on the fuel used on the length of road concerned.

Either way, the Government is relieved of the cost of construction and maintenance.

Mr Dalgleish says the railways cater "for only a tenth of our movement needs". He proposes that about 11,000 km (6,875 miles) of two-track rail routes could be considered for conversion into single carriageway

roads.

There are also about 2,500 km of multi-track rail routes which could be converted to two-lane motorways, and 4,500 km of single-track rail routes which could be converted into 6 metre roads.

On the basis of these figures, British Rail's network can be converted into "a complete new trunk road network with a capacity of 350m vehicles-km per 16-hour day."

The Truth About Transport: The Centre for Policy Studies. £2.50.

# Queen backs Liverpool festival

BY IAN HAMILTON FAZEY, LIVERPOOL

THE QUEEN has agreed to be patron of the first British International Garden Festival, to take place in Liverpool in 1984.

The £13m festival, on 250 acres of reclaimed waterfront near the Toxteth riot area, is a major feature of government plans for Merseyside's inner city.

The Queen's participation is expected to give the project an enormous boost in prestige.

Mr Michael Heseltine, the Environment Secretary, said yesterday: "This is the largest and most ambitious inner city regenerative scheme attempted in Britain this century."

The scheme, run by the Merseyside Development Corporation, will create permanent assets in an area which was formerly an industrial graveyard of disused docks, unstable tips and abandoned tank farms.

Yesterday, Mr Heseltine and a ferry-load of elected leaders, officials, local industrial leaders and representatives of the world's press inspected the works from the Mersey, cruising up and down the river in spring sunshine.

On the bank local school-children cheered loudly, released hundreds of green balloons and held up cards reading "Welcome" in five languages for the benefit of the foreign journalists on board, from Holland, Denmark, Brazil, Switzerland, Germany and China.

Unfortunately Chinese was not one of the languages.

A little way upstream another group of youngsters sang in their work for the Youth Opportunities Programme — restoring a pre-war esplanade called Otterspool Promenade — to shout something else. The words, the tone of which did not sound complimentary, failed to carry to the Secretary of State.

Details of the festival site announced yesterday include an eight-lane, international-class running track, an amphitheatre for concerts and recitals and eventual conversion of the main exhibition halls into a complex of indoor sports and leisure facilities.

These, together with pubs and restaurants, will be permanent features and occupy

about half the site. A "Beatles Park" is also likely, and a John Lennon memorial garden.

The other half of the site will be used for gardens during the festival. Some of these will be "learning" gardens with experts to teach visitors, others will be highly specialised, and others will come from around the world, provided by foreign governments or trade associations. This land will later be built on with a mixture of housing and factories.

Several householders are competing and negotiating to build houses and gardens on a "homes and gardens" section of the site.

The whole scheme is expected to generate more than 4,000 long-term jobs.

The Liverpool Festival's winning of international status — awarded by the International Association of Horticultural Producers against competition from Nice, Vienna and Chicago — is expected to push the six-month-long event into profit, with 3m visitors.

# B Cal in £18m jet lease deal

By Michael Donno, Aerospace Correspondent

BRITISH Caledonian Airways has completed an £18m leasing deal for a Boeing 747 Jumbo jet, formerly operated by Braniff of the U.S., which the UK airline will use on the Gatwick-Nigeria route from May 16.

The deal is for 4½ years, and was arranged through the Royal Bank of Scotland. The 747 will fly six round-trips weekly between Gatwick and Lagos, with an en route stop three times weekly at Kano in Northern Nigeria.

The 747 has been added to the route because of the increasing demand for seats. It will seat 324 economy class passengers and 56 first-class passengers, with space for up to 18 tonnes of cargo.

Mr Alastair Pugh, managing director of British Caledonian, said the airline was considering acquiring further 747s, to increase capacity on its other long-haul routes.

# FT writer given honorary degree

By Lisa Wood

MR DAVID FISHLICK, Science Editor of The Financial Times, is to be awarded an honorary degree by the University of Salford.

Six honorary degrees are to be awarded by the University in July. Mr Fishlock will be made a Doctor of Letters.

A chemist by training, Mr Fishlock has held the post of Science Editor of the Financial Times since 1967.

The University of Salford said: "David Fishlock's most important journalistic contribution has been to bridge the gap in this country between developments in science and technology on the one hand and the interests of financial and commercial decision makers on the other."

Mr Fishlock, who has served on a number of government scientific advisory committees, was awarded a Glaxo Travelling Fellowship for his achievements in technical journalism in 1976 and the Queen's Silver Jubilee Medal in 1977.

**NOTICE**

To Holders of 7½ per cent. Currency Linked/U.S. Dollar Payable Convertible Bonds due 1987 of NIPPON SHEET GLASS COMPANY LIMITED

Pursuant to Clause 7 (b) (1) of the Trust Deed and Condition 5 (c) of the Terms and Conditions of the Bond dated as of 4th December, 1980 under which the Captioned Bonds were issued, notice is hereby given as follows:

- On 23rd February, 1982 the Board of Directors of the Company resolved to make a free distribution of shares of its Common Stocks to the shareholders registered as at 3.00 p.m. as of 31st March, 1982 (Japan time), at the rate of 0.05 new shares per one share held.
- Accordingly, the Conversion Price of the Captioned Bonds will be adjusted effective immediately after such record date. The Conversion Price in effect prior to such adjustment is Yen 321 per share of Common Stock and the adjusted Conversion Price is Yen 304.9 per share of Common Stock.

NIPPON SHEET GLASS COMPANY LTD.

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March 1982



UK NEWS

Slower growth of jobless in Britain

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

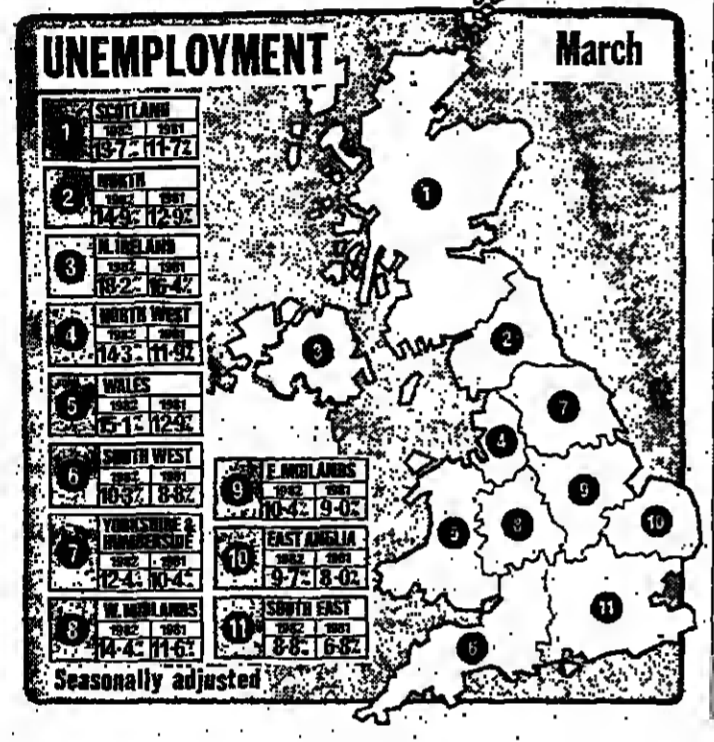
UNEMPLOYMENT in the UK was 2.83m or 11.8 per cent of the workforce in March on a seasonally-adjusted basis. This is one of the lowest rates in the developed world.

As the table shows, only Belgium has a higher proportion unemployed than the UK but Ireland, France and Holland are not far behind.

In the UK the average number of unemployed in the last three months has increased by 3.4 per cent against the previous three months. The corresponding increase in West Germany was 18 per cent, although considerably fewer people are unemployed there.

The increase between the two quarters in the U.S. was 11 per cent, in Canada 6.5 per cent and in France 2.8 per cent.

Table with 2 columns: Country, Unemployed (February) (Seasonally adjusted). Rows include Belgium, UK, Ireland, France, Netherlands, Italy, Denmark, U.S., Canada, Japan.



Hip joint factories 'no solution'

BY DAVID FISHLICK, SCIENCE EDITOR

HIP "FACTORIES" specialising in replacing hip joints are not the way to reduce National Health Service waiting lists, according to a study of the operation in British hospitals, published today.

Once the relatively small backlog of patients waiting for hip replacement had been cleared, such centres could become white elephants, concludes the Office of Health Economics, the think tank of the British pharmaceutical industry.

It says hip joint replacement is one of the most cost-effective examples of major surgery in the way it can improve quality of life for recipients.

figures are available — 15,330 people in England and Wales had the operation, suggesting a total cost to the health service of about £18m. As many as 200,000 people in Britain have regained mobility and relief from pain since a successful technique was developed by British surgeons in the 1960s.

It finds that nationally there are now adequate resources to meet the demand for the operation without undue delay, although in some regions the delay may still be too long.

West Midlands and Trent are singled out as areas where waiting lists may still be too long.

Despite some deficiencies, the health service has not failed as a system, the office concludes. "Most patients are not subjected to an unacceptable wait for surgery, and there is little evidence that Britain's supply of hip replacement surgery falls significantly below that of other Western developed countries."

Two technical developments which led to the "take-off" of total hip replacement were pioneered in Britain by Mr John Charnley at the Wrightington Hospital, Wigan.

Hip replacement and the NHS by William Lingo and David Turner. Office of Health Economics, 12 Whitehall, London, SW1A 2DY. £1.00.

LABOUR

BA claims ramp staff action crumbling

BRITISH AIRWAYS yesterday claimed that the six-week-old stoppage by 2,000 ramp staff on its short-haul flights at Heathrow was showing signs of crumbling.

Talks between the airline and the union involved, the Transport and General Workers' Union, will resume today.

'Lost cause' airline dispute goes on

IT IS DIFFICULT to avoid concluding that the cause of British Airways Heathrow Airport ramp staff is lost.

The schemes it will be supporting are linked to the work of the task force set up for Merseyside by Mr Michael Heseltine, the Environment Secretary, and the CBI special projects programme.

Money from the bank, however, will eventually be directed to projects throughout its area, which include Manchester, south Lancashire, Cheshire and Derbyshire, as well as Merseyside.

The 16 regional banks within the TSB structure have been encouraged to assist to community projects, but the TSB North West scheme is the first to allocate formally a specific share profit to this.

For the first year, the TSB North West will look at training workshops and the bank is discussing with the Manpower Services Commission the setting up of such a workshop at Kirby, Liverpool.

The bank wants to help Information Technology Centres and may be involved in sponsoring the first of the five centres on Merseyside, four of which have already attracted sponsorship.

General projects and commercial and business training centres will be other areas of expenditure and the bank might decide to second staff to the centres.

Mr Albert Owen, the TSB North West general manager, said yesterday that he hoped the bank's commitment would go some way to easing problems caused by youth unemployment. "It is strictly a re-investment in the people of our community," he said.

Mr Ron Todd, the TGWU national organiser, said last night that he did not expect a breakthrough, but both sides would lay out their positions once more.

It is understood that about 100 baggage handlers reported for work yesterday, following a letter to them from the airline's operations director, Mr David Hyde,

inviting them to return. A representative of the baggage staff admitted that a number of his colleagues had returned for work, but said it was impossible to tell how many.

The ramp staff leaders staged a lobby of MPs at Westminster, where they said the action would continue. BA said that baggage would continue to be handled by volunteers, and that all flights were operating normally.

A threat from the staff side of the national joint council for civil air transport to recommend industrial action by BA unions if the airline continues to use "black-leg labour" appears to have been ignored by the management.

Up to last week the dispute had cost BA over £5m a small sum set against likely 1981-82 losses over £200m, and against what it would have lost if the action had been successful.

It has hit BA less hard than the loss of an average £150 a week has hit the ramp workers, who are receiving £12 a week strike pay from the union.

BA also believes it dare not give in after agreeing sweeping changes with every other group to implement 9,000 job losses as part of its survival plan.

Certainly the volunteers loading baggage — some of them on overtime, but others without payment — would not take kindly to that.

Outside the Heathrow perimeter, a thin band of pickets watches the traffic go by. Management says that some of these are not BA employees — a charge denied by stewards.

They also reject suggestions that workers do not want established ramp units broken up because they organise theft — which has dropped sharply during the dispute. Anger over such accusations seems to be a factor bolstering support for the ramp workers' leaders.

BA insists it cannot return to the old roster because it has already released nearly 300 workers and it fears the shop stewards would filibuster once back at work. The company says that it has exhausted negotiating procedures on the new rosters and has been faced with refusal to negotiate on working practices.

Mr Ron Todd, TGWU national organiser, says if he does not get a satisfactory response soon, he will ask Mr Moss Evans, general secretary, to meet with Sir John King, BA chairman, and will press the national joint council to implement its industrial action threat.

BA insists it cannot return to the old rosters because it has already released nearly 300 workers and it fears the shop stewards would filibuster once back at work. The company says that it has exhausted negotiating procedures on the new rosters and has been faced with refusal to negotiate on working practices.

One FDA leader even suggested that many members would agree with a Bill which would allow the closed shop and because the Bill was attacked by such trade unionists as Mr Arthur Keble, president of the National Union of Mineworkers.

Mr Ward wrote further: "The Bill clearly reflects Government policy, and on those grounds some (members) would assert that the FDA has no business to consider opposing it."

"However, a recent special meeting of the FDA executive agreed with the suggestion that some of the Bill's clauses could harm the interest of FDA members: in particular, the clauses allowing employers to dismiss fairly, selective strikers; to obtain damages against unions and their officials; and the redefinition of a trade dispute."

Tacitly acknowledging FDA members' expertise in the drafting of Bills, Mr Ward writes: "Members may well doubt the wisdom of trying to legislate in grey areas such as these."

The FDA executive decided not to oppose any of the TUC's proposals for action on the Bill which will be voted on by a special conference of all affiliated union executives at Wembley on April 5.

After seeking points of clarification that the type of campaign envisaged by the TUC does not include widespread industrial action, and that financial assistance will be mainly for court cases rather than strikes, the FDA will probably support proposals for a campaign for inter-union support and for a levy of 10p.

But it will not back recommendations that unions should not take part in ballots on closed shop agreements, or that they should reject Government money for union ballots.

Nursing unions to make fresh pay appeal

By Ivo Dawney, Labour Staff

LEADERS of Britain's 500,000 nurses are to make a fresh appeal to the Government for more funds for wages after the management side of the National Whitley Council yesterday refused to improve on its 6.4 per cent pay package.

Union leaders were angry that the management also failed to back them in a joint approach to ministers for further funding.

But the management said last night the offer was "realistic" when seen in the context of public expenditure plans and the resources available within the health service.

A further appeal to Government is unlikely to influence Ministers following the allocation earlier this month of an extra £83m to boost nurses' pay.

Unions now face the option of accepting the offer or of planning industrial action in support of their claim for rises in line with the increased cost of living.

The Royal College of Nursing's 194,000 members are unable under their rules to take strike action. But the National Union of Public Employees and the Confederation of Health Service Employees, together representing over 300,000 nurses, may halve their members on selective strike action.

Strike threat by teachers

TEACHERS' leaders yesterday warned of a series of half-day strikes next week if the Burnham Committee fails tomorrow to allow a 12 per cent pay claim to go to independent arbitration.

Joint action by the National Union of Teachers and the National Association of Schoolmasters/Union of Women Teachers — representing 375,000 staff — will begin on Tuesday with stoppages in about a third of English and Welsh schools. Strikes on Wednesdays and Thursdays will disrupt the remaining schools.

Unions warn employers of fight against Bill

BY JOHN LLOYD, LABOUR EDITOR

EMPLOYERS are receiving warning letters from trade unions that any attempt to use the forthcoming employment legislation will meet fierce and co-ordinated resistance.

The General and Municipal Workers' Union, the country's third highest, held a meeting of full-time officials last week to co-ordinate their campaign against the Bill.

The union will seek joint support in most industries for letters to employers stressing the dangers of the legislation to industrial relations.

The Amalgamated Union of Engineering Workers, the second biggest union, has written to all employers' organisations at national level and employers at local level in the same terms.

Sir John Boyd, AUEW general secretary, said last night many of the replies had been "evasive".

The Transport and General Workers' Union, the biggest union with 1.7m members, will hold a meeting of its national officers and its executive on April 4 to determine the nature of its initiative.

The CBI has issued no guidance to members on the issues, beyond background notes on the Employment Bill itself.

The AUEW executive will offer an 8 per cent pay rise to the 200 staff at its London headquarters. The offer has to be ratified by the union's rules revision conference next month.

Top civil servants back TUC campaign

BY PHILIP BASSETT, LABOUR CORRESPONDENT

SENIOR civil servants in the Civil Service Association are in effect stepping aside from their traditionally politically neutral position by deciding to support most of the TUC's proposals for action against the Government's Employment Bill.

Senior officials of the FDA — some of whose members probably helped to drafting the Bill — acknowledge that many members of the union, ranging as high as Whitehall permanent secretaries, would support many aspects of the Bill.

Mr John Ward, general secretary, says in his union's journal that "there is quite a lot of the Bill with which many members would agree."

One FDA leader even suggested that many members would agree with a Bill which would allow the closed shop and because the Bill was attacked by such trade unionists as Mr Arthur Keble, president of the National Union of Mineworkers.

Mr Ward wrote further: "The Bill clearly reflects Government policy, and on those grounds some (members) would assert that the FDA has no business to consider opposing it."

"However, a recent special meeting of the FDA executive agreed with the suggestion that some of the Bill's clauses could harm the interest of FDA members: in particular, the clauses allowing employers to dismiss fairly, selective strikers; to obtain damages against unions and their officials; and the redefinition of a trade dispute."

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But it will not back recommendations that unions should not take part in ballots on closed shop agreements, or that they should reject Government money for union ballots.

ENERGY REVIEW

Buyers' market in the international coal trade

By Martin Dickson, Energy Correspondent

THE LONG-HERALDED expansion of the international coal trade is getting under way — but with a modest, slow-moving momentum rather than a dramatic boom.

Provisional figures suggest that the international coal trade in 1981 rose by only 3.5 per cent over 1980, from about 180m tonnes to 200m tonnes (excluding eastern bloc trade and U.S. exports to Canada).

That compares to a growth of about 10 per cent in 1980 over 1979, from 170m to 190m tonnes. And 1982 does not look much better than last year. Trade is unlikely to grow by more than 5 per cent and that figure could be optimistic.

All this means that the great international coal boom, which has been widely billed as one of the most dramatic energy developments of the 1980s, is going to be slower arriving than coal enthusiasts might hope. It will probably be the middle of the decade before the trade takes on a much steeper flight trajectory.

What's more, there was in 1981 was concentrated in the market for steam coal, which is used in power station and industrial boilers and is the sector of the market expected to expand most dramatically over the next two decades. International trade in metallurgical coal, used by the depressed steel industry, was virtually unchanged in 1981 at around 115-120m tonnes.

Table: INTERNATIONAL COAL TRADE. The main exporters... 1980, 1981. Rows include U.S., Australia, South Africa, Poland, Canada, UK, Japan, France, Italy, West Germany, Denmark.

much more attractive economic proposition. As a result, power stations and industry substituted coal for oil where possible in their existing boilers and began to order new coal fired equipment.

The substitution process produced a rapid increase in demand. But the long lead times involved in commissioning new plant means that much equipment ordered in the late 1970s has yet to come on stream.

The growth rate has been slowed down even more by the worldwide recession, which has had a triple effect: It has reduced the growth of electricity demand. Power consumption in the EEC rose a mere 0.4 per cent last year compared with 1980. Yet the electricity sector is coal's main growth market.

It has reduced the amount of capital companies can afford to spend on coal conversion and lowered their payback horizons. It has cut the price of oil, reducing but not eliminating coal's competitive edge.

But the trade's unspectacular growth last year and modest prospects for 1982 hide some important regional variations in both supply and demand.

On the demand side, 1981 saw some marked differences between Europe and Japan. Imports of coal by EEC countries actually fell last year — by 1 per cent from 91.6m tonnes to 90.6m tonnes. There was a rise of 17 per cent in imports from fellow community members (mainly Britain) to 20m tonnes but this was more than offset by a drop of 5 per cent in imports from third party countries to 70.5m tonnes (see chart). Steam coal accounted for 65-70 per cent of third party imports.

Factors behind the drop include the recession, an increasing use of nuclear power by the French and the existence of larger than usual stockpiles of coal — built up as a precaution against political upheavals in Poland.

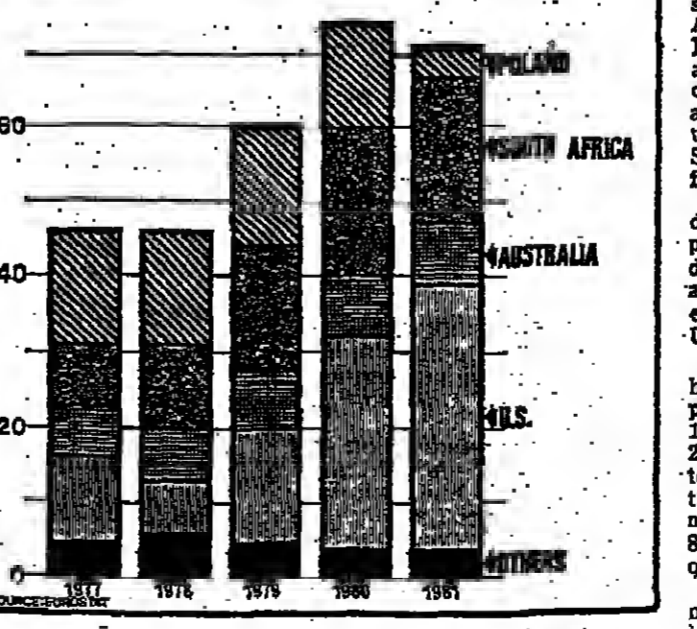
This year any growth in European demand will be very modest. At the French coal importing monopoly has been planning a substantial cutback in steam coal imports because of the further commissioning of nuclear stations. French imports could drop from some 27m tonnes last year to 24m tonnes or less.

West German imports, by contrast, could rise by several million tonnes since the country is likely to commission four new coal-burning power stations this year. But across Europe power station stocks remain very high.

In Japan, 1981 saw an impressive doubling of steam coal imports, admitted from a small base. The country's total coal imports rose from 68.5m tonnes in 1980 to 77m tonnes. Metallurgical coal purchases rose from 62.2m tonnes to 64.7m tonnes and steam from 5.2m to 11.3m tonnes.

The increase in metallurgical imports at a time when Japanese crude steel production has been falling is due to a change in steel-making processes — cutting out the use of fuel oil in blast furnaces and replacing it with coke.

EEC COAL IMPORTS FROM NON-MEMBER COUNTRIES



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from 0.9m tonnes in 1980 to 3.2m tonnes last year.

There has also been a change of emphasis in Japan's buying pattern. The country has been keen to diversify its supply sources away from strike-prone Australia, its main supplier.

Last year the Australians accounted for about 5m tonnes of the steam coal imports, with about 2m tonnes coming from the U.S. 1.5m tonnes from South Africa and 1m tonnes from Canada and China.

On the supply side, the most dramatic development of the past two years has been the decline of exports from Poland and a remarkable, concomitant expansion in supplies from the U.S.

Poland was the world's second highest coal exporter until the political upheavals of 1980. In 1979 it exported 41m tonnes, 26.3m to the West and 15m tonnes to other Comecon countries. Last year it shipped no more than 18m tonnes — about 8m to the West and a similar quantity to the East.

Poland's loss has been very much America's gain. Last year it exported a record 100m tonnes, with some 14m tonnes going to Canada and 85.5m tonnes to the rest of the world. That compares with a total of 95m tonnes in 1980 and 58m tonnes in 1978.

The build-up in steam coal exports has been even more dramatic. In 1978 Canada was virtually the only U.S. export market. But last year it sold 30m tonnes, to that country with 17.6m tonnes going to the EEC.

than 180 vessels built-up at the U.S. East Coast ports at the end of 1980, and rising demand and freight charges sent European spot prices soaring.

The introduction of a new system of registering vessels at the East Coast ports of Hampton Roads and Baltimore has helped cut the queue, as has the much higher volume of traffic using New Orleans (12.6m tonnes of exports last year against 3.5m in 1980) and Los Angeles/Long Beach on the West Coast (4.8m tonnes in 1981, 1m in 1980).

Nevertheless, the East Coast queues have not been eliminated entirely. Earlier this month there were still 39 vessels queuing off Hampton Roads, totalling 3m tonnes deadweight.

Exports from Australia have also risen sharply during the past 12 months — despite a succession of strikes which have hit the mines, railways and ports. The country shipped a record 50m tonnes last year — a 7m tonnes rise on 1980.

The Polish crisis also allowed Britain to boost its coal exports from less than 5m tonnes in 1980 to 5.1m tonnes in 1981.

Important purchasers included Denmark, which took 2m tonnes as against 500,000 in 1980, and France, which purchased 2.8m tonnes, up 1.2m tonnes.

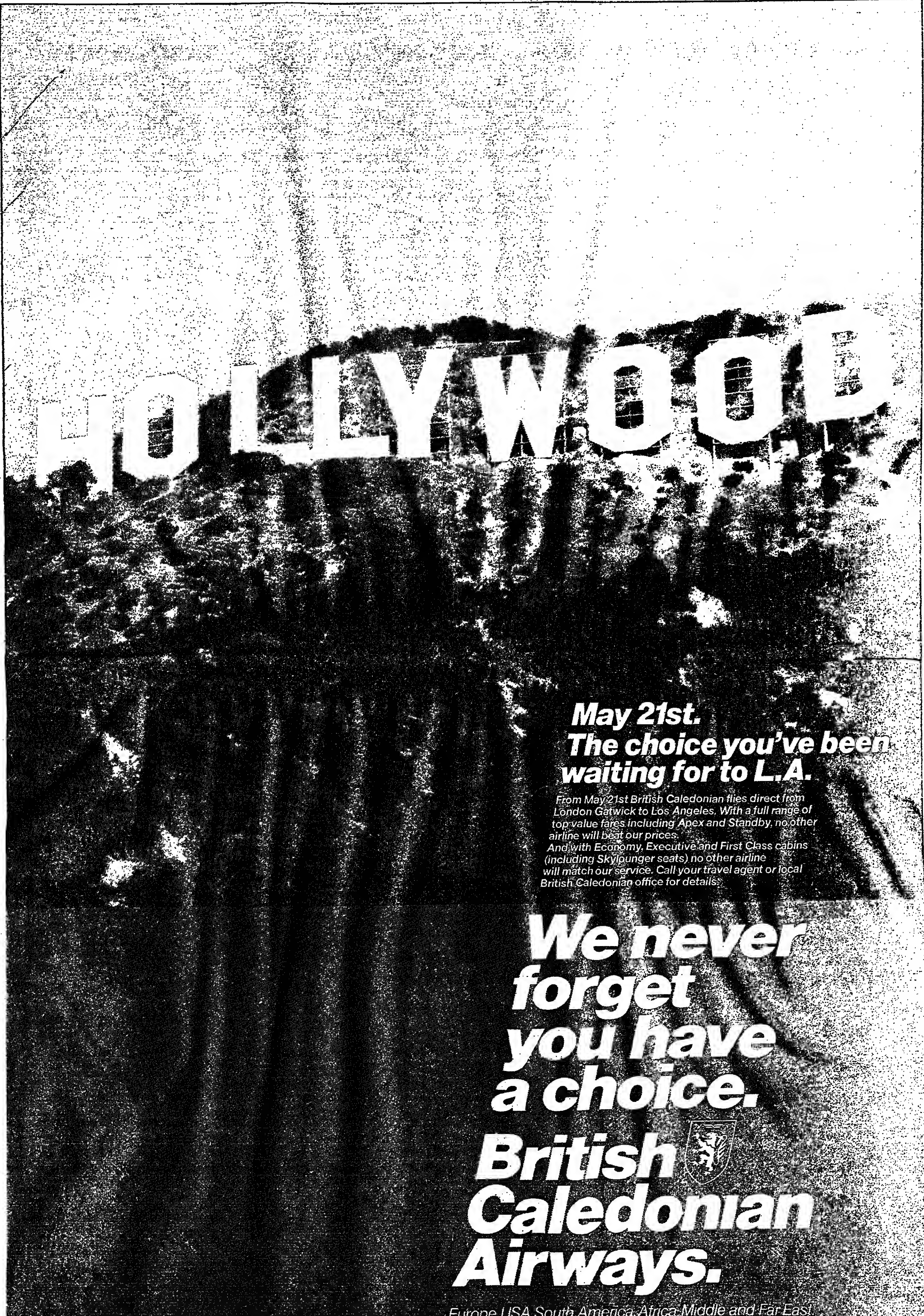
South Africa, however, exported almost the same in 1981 as in 1980 — around 29m tonnes — and little change is expected this year, both because of market conditions and the limitations of the country's ports. Richard Bay, its main export terminal, handled 27m tonnes last year — just about its maximum. But, an expansion programme means that by 1983 Richard Bay should be able to handle 34m tonnes, with the total rising to 48m tonnes by 1985.

The upshot of all these supply/demand factors is that the world's coal exporters should have little difficulty in meeting any foreseeable increase in demand during 1982. The U.S. alone is hoping to increase sales abroad by 10 per cent this year, enough to cover much, if not all, of the increased coal burn in Europe and the Far East. The market is therefore expected to remain soft.

That in turn means west prices. The spot prices of steam coal delivered into the West European markets of Amsterdam, Rotterdam and Antwerp have plunged from more than \$70 a tonne early last year to distress sales in the \$50-\$55 a tonne range now, while contract prices are in the \$30-\$35 a tonne range.

At the moment, then, the coal trade is a buyers' market and looks like remaining that way until there is a sustained western economic recovery.





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UK NEWS - PARLIAMENT and POLITICS

Protests at written statement on navy cuts

FINANCIAL TIMES REPORTER

THE GOVERNMENT yesterday confirmed the closure of seven Royal Navy training bases but rejected suggestions that the cuts were caused by the escalating cost of the Trident nuclear missile project.

Mr Geoffrey Pattie, Defence Under-Secretary, faced angry protests from MPs, at Question Time, about the way the closures had been announced. There were jeers as, in dealing with a question about shipping orders, he said that Mr Peter Blaker, Minister of State for Defence, would be announcing the closures formally in a written reply.

Mr Pattie also gave the content of that reply, including the closure of HMS Phoenix, HMS Excellent, HMS Vernon and the Fraser Gunnery Range at Portsmouth, and HMS Fishguard at Torpoint, in the years up to 1986.

Naval personnel and MPs whose constituencies were affected were being kept informed, Mr Pattie added. Mr Pattie said a copy of the message to the Fleet, which Admiral Sir Harry Leach, First Sea Lord, had issued earlier, would also be placed in the Commons Library.

For the Opposition Mr Dennis Davies accused Mr Pattie of lacking the nerve to give the news in a proper Commons statement. "Before the Government dismantles the Royal Navy even further—and we have had some 4,000 job losses announced on the tape today—shouldn't you have had the courage to come to the House and make a statement, because it affects so many jobs and the Royal Navy?" Mr Davies demanded.

He urged the Government to rethink its defence strategy, which appeared to be based on the idea that a war in Europe would last only a few days. "It would make more sense to assume that if war were to come it would be a war of attrition, and the navy would have to play a very important part, especially in the East Atlantic," he added.

Mr Pattie said the decisions announced followed the policies outlined in the Defence White Paper last July and Mr Davies' version of the Government's strategy suggested he did not understand the document. Mr Pattie also rejected a charge made by Mr Bob Mitchell (SDP, Southampton) who said they represented a very high price to pay for Trident.

"I do not accept your contention that this is part of the price to pay for Trident," Mr Pattie told him. Mr Alan Clark (C Plymouth)

Commons Sketch

Tartan boom upstaged by invasion of the 'Steptoos'

MR MICHAEL FOOT was in Hillhead yesterday drumming up support for the Labour Party in tomorrow's by-election. For her part Mrs Thatcher decided to do her electorally by the Commons by using Prime Minister's question time to pour out a flood of "good news" about Scotland.

Select committee urges changes in MPs' pay rules

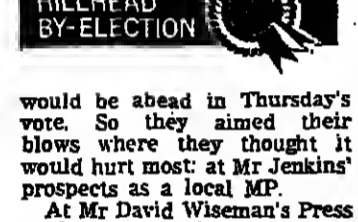
BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

CONTRVERSIAL proposals for taking some of the political heat out of the perennially sensitive issue of MPs' pay were put forward yesterday by a select committee. The select committee on members' salaries recommended that in future the Top Salaries Review Board should be asked to advise on the appropriate level of MPs' pay in the fourth year of every parliament with a view to members approving an increase to come into effect the following parliament.

Jenkins attacked by Tory and Labour hopefuls

By Mark Meredith, Scottish Correspondent

THE CONSERVATIVE and Labour candidates turned on Mr Roy Jenkins of the Social Democratic/Liberal Alliance in the final phases of the Glasgow Hillhead by-election yesterday. Their attentions may have reflected anxiety about Mr Jenkins' improved showings in recent opinion polls showing he would be ahead in Thursday's vote.



At Mr David Wiseman's Press conference Mr Bruce Millan, Labour's Shadow Scottish Secretary, said the area needed an active local MP after suffering from neglect by its Conservative members for years.

The Hillhead seat became vacant on the death of Sir Thomas Galbraith, the sitting Conservative member for Glasgow's only Tory seat.

Mr Millan said: "There is a strong feeling that Jenkins is an outsider with no real feel or real interest in the constituency."

He said Mr Jenkins had a poor reputation as an MP in the area and added: "I don't believe he is interested in Glasgow or Scotland, or in the local issues, and there's a very strong feeling among the ordinary electorate that this is so."

Mr Gerry Malone, the Conservative candidate, said he had spent all his working life in Glasgow and knew the problems of the constituency.

Had the Beaufield constituency fallen vacant at the same time as Hillhead would Mr Jenkins have ventured across the border into Scotland, he queried.

"I very much doubt it. Roy Jenkins is not standing for Hillhead because he wants to represent Hillhead, but because he wants to get back into parliament."

"Hillhead just happened to be there. Mr Jenkins, at his morning get-together with the Press, referred to the unholy alliance between Labour and Conservatives against the SDP.

The Alliance candidate had earlier predicted a two-horse race, but today was unable to name the second horse.

The targets and topics of the daily news conferences by the four main parties in the by-election have underlined the difficulty of identifying whether personalities or issues will predominate in Thursday's poll.

Thatcher sets sights on by-election votes

BY IVOR OWEN

VOTES in tomorrow's Glasgow Hillhead by-election quickly emerged as the primary target when the implications of the latest evidence from the economic front dominated Prime Minister's Question Time in the Commons yesterday.

Mrs Thatcher claim that the fact that figures published earlier in the day showed unemployment to have fallen below 3m was not just good news for everybody but extremely good news for Scotland.

She explained that the figures for Scotland were on the whole better than those for many of the other regions.

Mr William Whitelaw, deputy leader of the Opposition and standing in for Mr Michael Foot, who had already left for Hillhead, insisted that the latest figures showed that unemployment was still rising all over the country.

He contended that the Treasury had already provided information confirming that the major promise on which the Government won the 1979 general election—the pledge to cut taxation—had been betrayed.

Mr Healey went on to lambast the Prime Minister over the "collapse of law and order" under her administration, and recalled her admission last week that she is unable to influence the amount of serious crime in Britain.

In a scathing reference to the critics of Mr William Whitelaw, he called on the Prime Minister to "pluck the dagger out of the Home Secretary's back" and tell her supporters in the Tory

MPs reject gas export move

BY PETER RIDDILL, POLITICAL EDITOR

THE GOVERNMENT yesterday indicated that it has no immediate plans to allow the export of gas. Energy Ministers opposed a Tory-backed move to allow sales overseas.

This came on the final day of the Committee Stage of the Oil and Gas (Enterprise) Bill, which Mr Michael Foot, the MP for Bedford, proposed an amendment allowing the export of gas directly from the UK, unless this was vetoed by Ministers.

The move was defeated by 14-2 (Mr Skeet and Mr Peter Rost, another Tory MP) with two other Tory members abstaining. The Opposition voted with the Government against the motion.

This leaves the proposal as in the original Bill under which exports of gas will not be permitted until Ministers give notice of consent.

Mr Skeet claimed this power was contrary to the Treaty of Rome. This point was disputed by Mr David Mellor, the Parliamentary Under-Secretary at the Department of Energy, who maintained that nothing in the landing requirements for gas conflicted with European law.

Mr Mellor argued that it would be wrong to anticipate circumstances when supplies from domestic sources were sufficient to permit such exports. If the time arose when this seemed appropriate to the Energy Secretary, he would have the powers to permit such exports under the proposed legislation.

Lords urge oil stocks curb on prices

BY RAY DAFTER, ENERGY EDITOR

A COMMITTEE of the House of Lords has called on oil-consuming countries to use compulsory stocks to keep down prices of crude oil.

The European Communities committee says that in the event of a shortfall in worldwide oil supplies compulsory stocks should be released. This would help to moderate any movement towards fast-rising prices.

"Only in this way will traders have the confidence to refrain from speculative or panic purchases which both anticipate higher prices and cause them to happen," says a report published today.

The committee says there is no policy for a shortfall of less than 7 per cent, even though such "sub-crises" were more likely to occur. More serious shortages would trigger the emergency oil sharing agreement of the International Energy Agency.

The report concludes that: Government intervention rather than market forces should be the basis of sub-crisis policy. Stocks should be used in a sub-crisis policy. A policy of using stocks should be agreed immediately and widely publicised on the understanding that the plan would be implemented as soon as a sub-crisis was identified.

International information systems should be harmonised to make data more easily comparable. Oil companies required by governments to depart from normal business arrangements should be protected from proceedings under commercial law.

A ceiling price for oil purchases should be rejected as part of a sub-crisis policy. The European Economic Community should provide a forum where member states could formulate a common policy to be promoted in the International Energy Agency.

Ninth report of the House of Lords European Communities Committee, Session 1981-82. Policies for Oil Supply Sub-Crisis. SO 23.95.

Local income tax sought with call to scrap PAYE

BY ROBIN PAULEY

THE PAYE tax system should be abolished and replaced with self-assessment to enable a local income tax to be introduced, Prof Christopher Foster, director of Coopers and Lybrand, management consultants, said yesterday.

He told a Commons select committee on the methods of financing local government that the best solution to local councils' financing problems would be to supplement domestic rates as soon as possible with a local income tax.

This made no sense unless the PAYE system, which existed in virtually no other country except Ireland, was scrapped and replaced with a pay-as-you-go system for all central and local income taxes.

Any attempt to introduce LIT in conjunction with PAYE would cost more than £100m, said Prof Foster, who is visiting professor of economics at the London School of Economics. PAYE cost about £500m to collect a year and this probably could be halved by switching to self-assessment, he said.

He also proposed using the different taxes to pay for different services rather than different tiers of government. He denied that this would confuse councils and ratepayers.

The Association of County Councils said in evidence to the committee yesterday that its majority—but not unanimous—view was that domestic rates should be retained and supplemented with a poll tax in the short-term and LIT in the longer-term.

The association believed a poll tax of about 25p a head could be levied by metropolitan districts, which would enable them to pay for all services independently. The county councils could levy reformed rates to pay for their tier of services. In this way ratepayers would understand clearly who they were paying—and for what.

However, it became clear under persistent questioning by Mr Reg Fresson, chairman, that the ACC is undecided about local government finance's future. The Conservatives and the minority Labour group disagree on virtually every front—except the need to retain and reform domestic rates, and the Conservatives are divided among themselves.

Mr Ian Conitt, chairman of the ACC, government finance committee, admitted that the reason the association was not strongly committed to LIT as soon as possible was the need to retain unity. Some groups wanted it immediately, others not at all.

Mr John Lovell, chairman of the policy committee, said nobody had tested the inland Revenue's "extraordinary" claim that an LIT could not be introduced before the 1980s.

Ministers fail to agree on Invergordon smelter plan

BY ELINOR GOODMAN

HOPES OF reactivating the aluminium smelter at Invergordon in the Scottish Highlands seemed to be dashed yesterday as Ministers failed to agree on a cheap energy scheme for the plant.

The Scottish Office said it had not given up hope of starting most of the 890 jobs at the plant and proposed a cheap electricity plan to Ministers yesterday's meeting. But the message coming out of the meeting was that there were formidable problems attached to the Scottish Office's plan.

Certainly, there is now no question of the Government making an announcement before Thursday's by-election in Glasgow Hillhead.

The issue is a very embarrassing one for the Government in Scotland and last week Mrs Thatcher gave a delegation of Invergordon workers a clear impression that she was determined to find a new power deal to keep the plant going.

At yesterday's meeting Ministers again discussed a plan for using cheaper hydro-electric power to service the smelter. The problem, which they were unable to resolve, is that providing cheaper power to Invergordon would mean dearer prices for domestic users, possibly as much as 4p in the pound extra on consumers' bills.

There is also the problem that other industrial users in the area would want a similar arrangement. Also aluminium producers outside Scotland might complain that they were being unfairly discriminated against. Another major difficulty is that the Hydro Electricity Board would not be able to provide a continuous supply of power to the plant.

The Scottish Office's plan was apparently opposed by both the Department of Energy and the Department of Transport and the Invergordon plant next week but even the Scottish Office Ministers now seem to think that it will be some time before the Government is ready to make an announcement.

Progress on Canada Bill

THE CANADA BILL—which transfers control over the Dominion's constitution from Westminster to Ottawa—is expected to be ready for Royal Assent at the end of this week.

The measure has already completed all its stages in the Commons without being changed, and the Lords yesterday completed the Committee Stage, without any alteration.

Third Reading debate in the Lords is set for Thursday, which means the measure will reach the Statute Book much sooner than Ministers had expected.

Despite pressure from peers seeking specific promises about the rights of Red Indians, Lord Trefgarne, Foreign Affairs Under-Secretary, insisted again yesterday that action could not be taken by the Government on something which was not a matter for Britain.

Commons Sketch

After the statement from Mr Richard Luce, Minister of State at the Foreign Office, about the mysterious affair of the Argentinian scrap metal merchants who landed on the South Georgia Island in the Falklands, and hoisted the national flag.

Mr Luce would have been surprised if the Minister had announced the acquisition of an expensive naval jet force to protect the Falklands—all the vessels to be built on the Clyde, naturally.

Mr Luce said he was sure that the Government's argument is that at present there is not sufficient supply to commit exports, and that the balance of reserves between the UK and gas-exporting countries is such as to make this unlikely in the immediate future.

However, Ministers claim that the ending of the British Gas Corporation's monopoly buying powers will stimulate new supplies of gas which may change the balance in the domestic market via further exploration and production.

It was pointed out during discussions that negotiations will continue with Norway about the provision of pipelines to transport Norwegian gas via the UK and re-export it to its ultimate destination.

The Tories were clearly suspicious of Mr Luce's cagey and cautious statement and detected more than a whiff of appeasement on the part of the Government.

Never a man for understatement Mr Nicholas Winterton (Con, Macclesfield) claimed it was "tantamount to the invasion of an independent country."

Grumpily Mr John Stokes (Con, Halesowen and Stourbridge) observed that in the past of days when he was attached to the diplomatic service you just sent for a cruiser when foreign dignitaries started playing up like this.

Mr Eric Gordon (Social Democrat, West Derby) seemed to think that the arrival of these Argentinian Steptoos was part of a plot hatched in Buenos Aires and Edinburgh. Unfortunately the Speaker cut him short before we could discover whether he was about to allege some sinister connection with Hillhead.

Labour MPs, too, were angry over the affair. Former Prime Minister Mr James Callaghan drew cheers from the Conservatives when he accused the Government of a "gross dereliction of duty" in recently deciding to withdraw the ice patrol vessel Endurance from the area.

Invincible

Mr Luce mumbled that the Endurance was still in the area at the moment but carefully evaded any commitment that it would be staying on to defend the inhabitants.

Labour's Foreign Affairs spokesman Mr Denis Healey seemed to be enjoying himself immensely in the absence of Mr Foot. Amidst his suggestions that the best answer might be to order the aircraft carrier Invincible to drop in on the Falklands on its journey to the antipodes where it is to be sold off to the Australian navy.

During the defence questions earlier, Mr Dennis Canavan (Lab, Strlingshire West) had criticised the choice of Lt-Col John Blashford-Stell as the leader of the Government's scheme to give teenagers adventure training with the army. Mr Canavan said this was on many occasions around the world. Surely here is the solution to the Government's difficulties. Why not send in "Basher" and his kids' army to sort out the whole affair?

John Hunt

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Local income tax sought with call to scrap PAYE

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The 316, for example, now sports a 1.8 litre engine developed from the unit that's powered so many Formula Two winners.

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The two litre 320 is equipped with a six-cylinder engine, instead of the four cylinders that most two litre cars have to make do with.

Yet it's a luxury that doesn't cost you extra petrol. Over 30 mpg is possible if you try hard, or 23 mpg if you drive hard.

Finally, there's the 323i to demonstrate that you don't have to trade in your family if you want to own a sports car.

Its fuel injected 2.3 litre engine has so much torque that it achieves the almost unique distinction of going from 50-70 mph as quickly as it goes from 30-50 mph. And now both the 320 and 323i are fitted with a 5 speed overdrive gearbox as standard.

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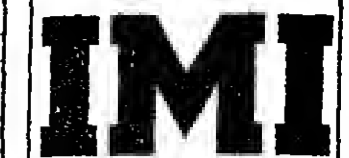
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TECHNOLOGY

EDITED BY ALAN CANE



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Versatile sheet metal working machine

THE WIDE applications of a copy and co-ordinate nibbling machine are combined with the high working speed of a punch press in the new model CS75 from Trump Machine Tools (0727 31111). The result is a highly versatile sheet metal-working machine that can produce cut-outs of any shape or size in material up to 6 mm thick.

Transmission coupling

A DRY powder transmission coupling, which is claimed, offers 30 per cent greater handling and longer life than other units has been introduced by Van der Graaf of Bradford. The Granuloc coupling uses a double bladed rotor with alternate ploughs which circulate the transmission medium of 0.6 mm. This disperses friction heat arising from slippage and high inertia loads or any other overloading.

Cable repair

NEW from 3M is a cable sheath repair kit employing a flame-retardant resin for use in hazardous areas. Called Scotchcast 3M, it can be used on flexible or non-flexible cables on site without vulcanisation. More on 0394 58305.

Keele idea will help storage on discs

BY GEOFFREY CHARLISH

A SCIENTIST at the University of Keele has come up with an idea that will enable computer users to store up to 150 per cent extra data on all types of computer discs. The new coding system, called E40, compresses ASCII files written in English to about 40 per cent of their initial size. The system also scores well on speed.

The target has been reached for both mainframes and microcomputers. Versions to operate under operating systems CP/M, OS/2 and RT11 are available or soon will be, and others will follow.

Machine tool system

OPTIMA LASIC, based at St Helens, Lancs, claims to have developed a low cost computer system capable of transcribing engineering drawings into machine tool tapes. Costing under £1,500, Optima says its system can be used by small engineering disciplines such as machine tool setters or production engineers.

At the heart of the system is a computer developed by Positron, a young British company set up originally to produce computers aimed at the growing education market.

Step forward for 'software in silicon'

THE TECHNIQUE used by Intel to store computer programs in chips—Intel calls it 'software in silicon'—others refer to as firmware—is basically the same as that used in video games and the like where the program is contained in a read only memory (ROM) and housed in a cartridge.

Intel has, however, taken the process one step further by producing operating system chips that can be used as standard components in several different kinds of computer systems.

That drawback is offset by the fact that whereas programs held on magnetic disks are relatively easy to copy—even if they have been 'protected'—it takes considerable expertise and some special equipment to duplicate programs held in ROMs.

Making the best use of stored data

BY LOUISE KEHOE IN CALIFORNIA

A NEW area of computer science, data base management, is starting to offer business a solution to the common problem of how to make the best possible use of information held in computers.

A common problem for the personal computer user occurs when it would be desirable to use the search functions of a personal filing system to look through items stored in word processing files.

The database processor, as the name implies, is, in fact, a microprocessor system in itself. It looks up to a 'host' processor and takes over the job of data base management.

What is more important, the DB processor can be linked to more than one host. This allows, for example, several desk top computers to share a single memory system.

Currently, Intel is offering the DB processor in the form of a 'black box'—actually it is a ROM with a tag of less than US\$18,000 makes it significantly cheaper than alternative software systems.

Take for example a consumer point it was originally conducted to determine what colour of soap powder people prefer. Having found that the answer is green, the marketing department now wants to determine where to test market the new product.

The solution, say the computer makers, is data management. The goal of a database management system is to squeeze every last drop of usefulness out of a given set of data.

Data base management has generally been achieved in mainframe computers through the use of large complex computer programs. The drawback of these systems is that the data management program itself takes up a considerable amount of storage space in the computer and ties up its logic circuits.

Another plus for the user is that the ROM is relatively indestructible, whereas the floppy disk is, for example, a very delicate medium for storing important and expensive programs.

The disadvantage—for the manufacturer is that there is no 'margin for error'. Software that is sealed into silicon must be absolutely correct. All the bugs that are common in a new program must be worked out before it is committed to silicon.

How to hit the right note—the Casio electronic music way

BY ELAINE WILLIAMS

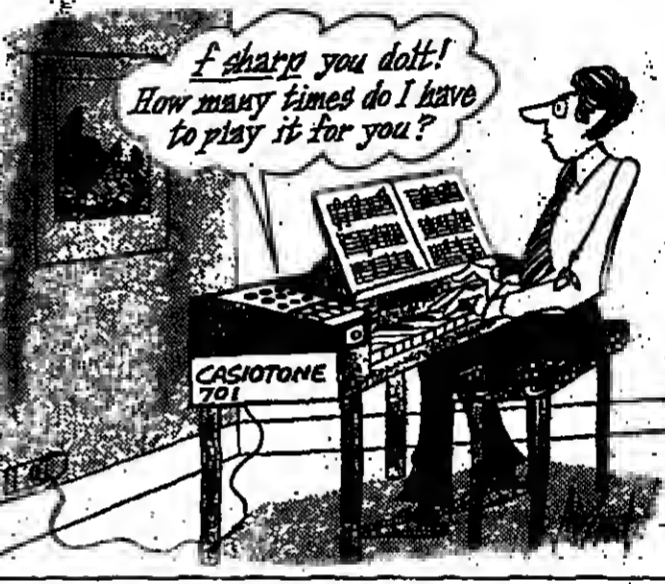
IF A MUSICAL instrument can read music and play faithfully what is left for mere mortals to do? Casio, the Japanese electronics company better known for its calculators, believes that its new electronic keyboard will stimulate people to learn to play musical instruments.

The Casiotone 701 is claimed to be the first instrument of its kind which can read coded music using a light pen.

Casio has entered the music making business at a time when the industry overall has been doing badly. It introduced its first electronic keyboard only 18 months ago and now has about seven models on the market.

Without taking Casio's performance into account, the total organ market is estimated to be worth about £20m in the UK.

A few years ago a synthesiser capable of the same operation would have cost several thousand pounds and be too large to fit on the kitchen table.



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GARDENS TODAY

Alpines which need no rocks

BY ROBIN LANE FOX

AT LAST there are some flowers about and in the best of them are only a few inches high, that suits my own interests.

Alpines enjoy a curious status among many keen gardeners. Either they fear that they are difficult and suited to specialists only, or else they think them rather common—little better than the rocks and heathers with which they keep company.

The specialist catalogues seem to include fewer true alpines each year and more plants from moors, meadows, forests or the propagating-frame which are sold as good garden value.

I believe that these small plants like very sharp drainage and usually prefer a very rich soil mixed with its own bulk of gravel. Wet weather destroys them more often than frost, though slightly less often than slugs. They need little space and can be wedged easily in a self-contained bed or wall.

This week, I am enjoying the last flowers on the plant whose display beats all others in springtime at a height of only three inches. Away from direct sunlight, this cushion of fresh green leaves called Saxifrage Jenkyns will spread into a tightly packed mass about six or nine inches wide and will cover itself in open shell-pink flowers. One plant can throw up as many as 50 buds.

It is even better in a shallow pot where you can admire it at eye level, but it is totally hardy outdoors and only bothered by

rain and mud at its high season. I have never found a better variety in its particular branch of the big Saxifrage family nor is there any easier to please. The deeper pink Cranbourne and the recent Valerie Finlay run it close, but neither is quite so vigorous or prolific in flower as the one for it. I do not know the American story behind its name, but I enjoy it as a plant with grey-white flowers and some deep-blue lines as make-up.

Last year, I admired a fine mass of that old pink rose Queen of Denmark underplanted with these softy-coloured flowers. They flourished in its shade and left some elegant leaves to block out the weeds for the rest of the year. Though sold as alpines nowadays, they have nothing to do with mountains and need no rocks.

The well-known Hypericum, however, is a more serious alpine plant. This will startle those of you who know and dislike that familiar Rose of Sharon, surely one of the duller expanse of green leaf and golden-yellow flowers which a garden can contain. But elsewhere in the family lurk some lovely small shrubs, well suited to walls or the edge of borders where they seldom appear nowadays. The hard winter has tested them, but it only skinned the edges of my favourite variety from Mount Olympus.

This is a lemon-yellow flowered hypericum which only grows a few inches high. It has smaller flowers on the Rose of Sharon model, but it proves what a paler colour and grey leaf can do for a dreary sort of plant. Sold as Olympium

at a remarkably pretty edging for a shaded border. The flowers verge on a shade of grey-white and milk-blue but they are charming and unusual when you notice them, some two or three inches high among good fresh green leaves. The so-called Conqueror Violet makes a fine pair for it. I do not know the American story behind its name, but I enjoy it as a plant with grey-white flowers and some deep-blue lines as make-up.

Last year, I admired a fine mass of that old pink rose Queen of Denmark underplanted with these softy-coloured flowers. They flourished in its shade and left some elegant leaves to block out the weeds for the rest of the year. Though sold as alpines nowadays, they have nothing to do with mountains and need no rocks.

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Citrium, it is a good buy for a sunny and well drained place. It increases easily from cuttings. A group of a dozen would make a lovely underplanting, perhaps beside some bright blue flag.

Last, I will surprise you by some good words for three of the most common so-called alpines in the book. Yellow Alyssum, mauve Aubrieta, and that flower in a peculiarly hard shade of white, the Arabis, are national best sellers. I can quite see why. They grow freely and flower brilliantly in walls, paths or dry places. Next month they appear in a rush together and neighbours catch the idea of each other.

Before you buy one, I would remind you of their subtler relations. Among the hard yellow Alyssum, you can find a soft bilious one called Dudley Nivelle and a pretty pale lemon companion called Citrium. They flower profusely and are not such a harsh colour. Among Aubrietias, you should not tolerate the old pale manves now that you can buy the best named forms anywhere.

Every year, the rich Brassingham Red appeals to me, a deep rose-red whose flowers run like a dark river under a stone wall. Even the old white Arabis can look quite civilised. There are some variegated forms on the market whose pale markings and light up the grey-green leaves and limit the plant's excessive vigour. They reduce it once more to a neat clump and brighten a plant whose flowers are otherwise rather severe.

Like any other group in the garden, alpines keep their best varieties under the counter for those who know what to order and why.

FT COMMERCIAL LAW REPORTS

Cheap gas contract lawfully terminated

TOWER HAMLETS LONDON BOROUGH COUNCIL v BRITISH GAS CORPORATION  
Chancery Division: Mr Justice Foster; March 22 1982

A CONTRACT which fails to provide for the conditions under which it is to be terminated shall be terminated in accordance with the intention of the parties at the time they entered into the agreement; and the period of notice of termination by either party must be reasonable in the circumstances prevailing when notice is given.

Mr Justice Foster, applying these principles, gave judgment for the defendant, the British Gas Corporation, in an action in which the plaintiff, the London Borough of Tower Hamlets, sought a declaration that an agreement for the supply of gas to the borough was lawfully terminated by the corporation.

His Lordship granted a declaration that it had lawfully terminated the agreement by written notice given to the borough on December 29 1977.

The prices agreed per therm were to decrease at a fixed rate over five years, and were calculated on the basis that the quantity required for each development scheme would settle to 1m therms annually.

The supply of manufactured gas to the developments started in 1971. The supply of natural gas started in 1975, but was not supplied throughout the year until 1977.

For the first three years of the agreement there was little difference between the amounts paid by the borough and the true market price. However, in the year ending March 31 1975, the borough paid £50,110, whereas the true market price was £32,200.

On December 29 1977, the corporation gave one year's written notice to the borough of its intention to terminate the agreement. The borough now sought

fundamentally changed, notice could have been given at the end of the year ending March 31 1975, when the enormous increase in the market price occurred.

The only other solution, and it was accepted by his Lordship, was that suggested by the corporation, namely, that the contract was terminable after six years certain and thereafter on reasonable notice.

Whether the period was reasonable depended on the circumstances existing when notice was given. Mr Mann submitted that a year's notice was reasonable. Mr Payton submitted that notice should be of sufficient length to give the borough time to assess the economics of other fuel supplies, to prepare plans for conversion to other fuel, and to negotiate an alternative supply and the design or construction of fuel storage facilities.

A period of 33 months was put forward by the borough. That was made up of six months to assess the economics of other supplies, three months for preparation of plans for conversion, and six months for negotiations for

an alternative fuel supply and the design of storage facilities, and a further 18 months for construction of storage facilities.

That submission was wholly unreal, as the cost of natural gas, despite its tremendous increase, was considerably cheaper than heating oil. For example, in the year ending March 31 1978, the market price of the quantity of natural gas used by the borough was £208,280, and the equivalent in heating oil was £262,850.

No case had been cited in which it was held that reasonable notice could be longer than a year. In the present case 12 months' notice to terminate was reasonable.

The borough's claim should be dismissed. The agreement was lawfully terminated by the corporation's written notice. For the borough: Barry Payton and Barbara Slomnicka (Herbert D. Cook).

For the gas corporation: Michael Mann QC and Charles George (Barry C. Brooks, Solicitors).  
By Rachel Davies, Barrister.

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RACING

BY DOMINIC WIGAN

YORK Racecourse has managed to increase its prize money by £85,000 this year, to just under £1m, despite having to use £200,000 of its revenue for the last two years for essential work.

Sponsors are again proving staunch supporters of Yorkshire's premier flat course, so ably run by John Sanderson, its manager-secretary-clerk of the course. Over £250,000 will come from sponsors in 1982 and as a result of this backing York keeps its position as the most lavishly sponsored racecourse in the country on a daily average.

York has kept all its sponsors from last year and attracted Allied Bakeries and Linnac Plastics (International) making a total of 27 sponsors this year. Allied Bakeries is putting up £5,000 towards a six furlong handicap carrying twice that amount on August 18. Linnac is contributing half the £6,000 added prize money for a five-furlong handicap early in July.

In the opinion of most racers, Knowles' facilities are unrivalled by any course in the North or South. A lot of money has been spent on structural improvements to the main stand built only 17 years ago. According to the York Race

Committee the stand needed structural improvements to make it a safer and more comfortable building, for the racer and to prolong its life.

The total bill, including new floors and general refurbishment will be more than £300,000. The Horserace Betting Levy Board (which contributes £430,000 in prize money) will lend £110,000 if required.

It seems disappointing, to say the least, that the main stand should need so much money spent on it to make it, among other things, a "safer building" so soon after it was built.

The old county stand and the silver ring stand have had to be expensively repaired after the repair work.

Provided there are no further outbreaks of heavy rain, today's meetings at Southwell and Worcester should go ahead, without any problems. At Worcester Bridge Ash, who carried 20 lbs overweight with distinction at last week's Festival meeting, should not be unduly hard pressed to land the King John Chase in the hands of Peter Scudamore, now the weights have gone up. Bridge Ash bids for this third course victory to receive of weight from Just Able. WORTCESSTER

2.00—Forbold\*\*  
3.00—Royal To Do\*  
3.30—Bridge Ash\*\*  
4.30—Rambling Buck  
5.30—Street Trader

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.05 For Schools, Colleges. 12.30 pm News After Noon. 1.00 Pebble Mill at One. 1.45 Chigley. 2.01-3.00 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Mighty Mouse. 4.25 Jackanory. 4.40 Take Heart. 5.00 John Craven's Newsround. 5.10 Granddad. 5.35 The Perishers.

6.40 News. 6.50 Regional News Magazines. 6.25 Nationwide. 6.50 Fame (London and South-East only). 7.20 The Wonderful World of Disney. 8.05 A Song For Europe. 8.20 programme to choose the song which will represent the UK at the Eurovision Song Contest.

9.00 News. 9.25 Sportnight: Football from Spain - Athletic Bilbao v England XI and from Paris, France v Northern Ireland. World Championship Boxing from Atlanta City. 10.25 Parkinson and his mid-week guests. 11.13 News Headlines. 11.15 A Question of Guilt—strange case-surrounding Constance Kent.

TELEVISION

Chris Dunkley: Tonight's Choice

A great night for those who sincerely believe that hamburgers are an improvement on tourneys, and that Val Doonican is the best thing to have happened to music since Bing Crosby. Terry Wogan presents A Song for Europe 89 on BBC 1 in which eight groups compete for the chance to represent the UK at the Eurovision Song Contest. Second prize is presumably two chances.

Simultaneously ITV offer Startust with the top of the bill filled by Ted Rogers, the first comedian in history to choose a dustbin as his partner and still come off second best. The only programmes of any note look like being ITV's Minder and BBC 2's Chronicle. For the last two years Chronicle has been filming the dismantling of what appeared to be a simple Victorian cottage, half-thatched, half-covered in corrugated iron, in the little Sussex village of Walderton. Since 1979 it has been unfit for human habitation, but it was not being destroyed; it was being rescued by the World and Dowland Open Air Museum in Singleton, which specialises in the preservation of traditional Sussex buildings. They discovered that most of the cottage dates from the 17th century, including the fireplace and the medieval roof timbers which are still black from the smoke that once drifted up from the open hearth.

LONDON

9.30 am Schools Programmes. 12.00 Windfalls. 12.10 pm Rainbow. 12.30 Movie Memories. 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Crown Court. 2.00 After Noon Plus, presented by Mary Parkinson and Kay Avila. 2.45 The Six Million Dollar Man. 2.54 Definition. 4.15 Dr Snuggles. 4.20 Animals in Action. 4.45 Murphy's Mob. 5.15 Mr Merlin.

5.45 News. 6.00 Thames News with David Bellin and Rita Carter. 6.25 Help with Viv Taylor Gee. 6.35 Crossroads. 7.00 This Is Your Life: Eamonn Andrews has a surprise for another unsuspecting guest. 7.30 Coronation Street. 8.00 Starburst. 9.00 Minder, starring Dennis Waterman and George Cole. 10.00 News. 10.30 "Vampire," starring David Niven and Teresa Graves. 12.10 am Close: Sit Up and Listen with Roy Plomley. † Indicates programme in black and white.

BBC 2

6.40-7.55 am Open University. 10.20-10.45 Gharbar. 11.00-11.25 Play School. 3.55 pm Landscapes of England. 4.20 The Romance of Indian Railways. 5.10 Educating the Workforce. 7.50 Laurel and Hardy in "Fixer Uppers." 6.00 The Water Margin. 6.45 The Making of Mankind. 7.35 News Summary. 7.40 The Football Game. 8.10 Chronicle. 9.00 M\*A\*S\*H. 9.25 Nancy Astor. 10.20 Out of Court. 10.50-11.40 Newsnight.

All IBA Regions as London except at the following times:

ANGLIA 1.20 pm Anglia News. 2.45 Tapper John. 5.15 Happy. 8.00 About Anglia. 12.10 am The Big Question. BORDER 1.20 pm Border News. 2.45 Breckan. 5.15 Radio. 5.00 Lookaround Wednesday. 12.20 am Border News Summary. CENTRAL 1.20 pm Central News. 2.45 The Last of Summer. 3.35 A Cartoon for Adults. 5.15 Radio. 8.00 Crossroads. 8.25 Central News. 10.30 Starring William Holden: "The Wild Bunch." CHANNEL 1.20 pm Channel Lunchtime News. What's On Where. and Weather. 2.45 Tapper John. 5.20 Crossroads. 5.30 Channel Report. 5.30 Bailey's Bird. 10.28 Channel Late News. 12.10 am

Epilogue, followed by News and Weather in French.

GRANPIAN 8.25 am First Thing. 1.20 pm North News. 2.45 The Great Depression. 5.15 Private Benjamin. 6.00 North Tonight. 12.05 am News Headlines and Area Weather Forecast. GRANADA 12.30 pm Mr and Mrs. 1.30 Granada Reports. 1.30 Exchange Flags. 2.30 Yesterday. 2.45 The Great Depression. 3.15 Mr Merlin. 6.00 This Is Your Hour. 6.05 Crossroads. 6.30 Granada HTV 1.20 pm HTV News. 2.45 Fantasy Island. 3.45 The History Makers. Napoleon: The Making of a Dictator. 5.10 Ask Oscar! 5.20 Crossroads. 5.00 HTV Making 6.30 Give Us a Clue. 10.28 HTV News. HTV Cymru/Wales—As HTV West

except: 12.00-12.10 pm TV Tech Twt. 4.15 Mr Merlin. 4.45 Y Rhaifordd Gwdd. 5.10-5.20 Dick Tracy. 6.00 v Oyd. 6.15-6.30 Report Wales.

SCOTTISH 1.20 pm Scottish News. 2.45 The Great Depression: The New Deal. 5.10 Scotland Today. 5.30 Action Line. 5.30 Report. 7.25 am Late Call. 12.10 The Encounters: Elkie Brooks. TSW 1.20 pm TSW News Headlines. 2.45 Tapper John. 5.15 Bus: Honyburn's Magic Buses. 6.20 Crossroads and Today South-West. 6.30 Some South-West. 10.32 TSW Late News and Weather. 12.10 am Postscript. TVS 1.20 pm TVS News. 2.45 The Great Depression: Could It Happen Again? 5.15 Radio. 5.30 Coast to Coast. 8.00

Coast to Coast (continued). 12.10 am Comedy.

TYNE TEES 9.30 am The Good Word. 9.25 North-East News. 1.20 pm North-East News. 1.25 Where The Jobs Are. 2.45 The market price. However, in the Kelly and Judith Chalmers, from London's Leicester Square 0.00. 3.30 The Sound of "New Sellers." 5.15 Private Benjamin. 6.00 North-East News. 6.02 Crossroads. 9.25 Northern Life. 10.30 North-East News. 12.10 am Three Million And Rising. ULSTER 1.20 pm Lunchtime. 4.15 Ulster News. 5.15 Radio. 5.30 Good Evening Ulster. 6.00 Good Evening Ulster. 10.28 Ulster Weather. 12.10 am News at Bedtime. YORKSHIRE 1.20 pm Calendar News. 2.45 Tapper John. 5.15 Private Benjamin. 6.00 Calendar (Emily Moor and Belmont editions).

RADIO

(8) Stereophonic broadcast. RADIO 1 5.00 am As Radio 2. 7.00 Mike Read. 8.00 Simon Bates. 11.20 Dave Lee Travis. 2.00 pm Paul Burnett. 3.30 Save Wright. 5.00 Peter Powell. 7.00 Radio 1 Mailbag. 8.00 David Jensen. 10.00-10.20 John Peel. 11.00 VHF Radio 1 and 2—5.00 am With Radio 2. 7.30 John Dunn. 9.00 Alan Bell. 9.30 The News Tonight (S). 9.30 The Folk Entertainers (S). 9.30 Sounds of the Sun (S). 9.45 With Radio 2. 10.00 With Radio 1. 12.00-5.00 am With Radio 2. RADIO 2 5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 11.35 Beware (S). 4.00 David Hirston (S). 5.25 News: Sport. 6.00 John Dunn (S). 6.30 International Soccer Special: 2.00 Music Weekly (S). 2.50

France v Northern Ireland. 5.45 Sounds of the Sun (continued) (S). 9.35 Sports Desk. 10.00 You've Got to Be Joking with Carole Robinson. 10.30 Be My Guest: Les Dennis Sings. Brian Matthew with Sound Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S). RADIO 3 6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice (S). 8.00 News. 8.05 Your Midweek Choice (continued). 9.00 News. 9.05 The West's Composers' List. 10.00 BBC Northern Symphony Orchestra (S). 11.05 Elizabeth Maonaghly concert (S). 11.35 Bournemouth recital. 12.00 News. 1.00 News. 1.05 Concert Hall (S). 2.00 Music Weekly (S). 2.50

"Niwatha's Wedding Feast" (S). 1.25 Bournemouth recital (S). 4.00 Choral Evening (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Be My Guest: Les Dennis Sings. 7.30 Talented Mr. Ripley. 8.30-9.00 Comedians. 9.55 Weather: programme news. 6.00 News including Financial Report. 6.30 My Radio. 7.20 A Good Night Out. 7.45 Three Wise Guys And One Owl. 8.30 Sideways: A Bit Leonard Berns. 8.45 File on 4. 9.30 Kaitidoscope. 9.55 Weather. 10.00 The World's Tonight. 10.30 Detective. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

Wales. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 10.55 Baker's Omen. 12.00 News. 12.02 pm You and Yours. 12.27 It Makes Me Laugh. 12.55 Weather: travel, programme news. 1.55 Shipping Forecast. 2.00 News. 2.02 Women's Hour. 2.30 News. 3.02 Afternoon News. 3.50 Strain Invades the Capital. 4.00 Enterprise with Merjorie Lofthouse. 4.45 Soap Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. 6.55 Weather: programme news. 6.00 News including Financial Report. 6.30 My Radio. 7.20 A Good Night Out. 7.45 Three Wise Guys And One Owl. 8.30 Sideways: A Bit Leonard Berns. 8.45 File on 4. 9.30 Kaitidoscope. 9.55 Weather. 10.00 The World's Tonight. 10.30 Detective. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

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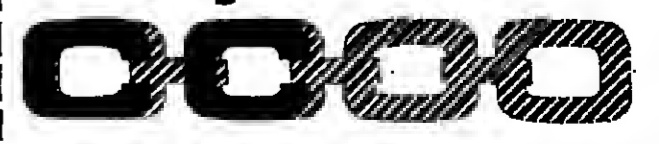
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Cleveland County Council



Cleveland County Council, Gurney House, Middlesbrough, Cleveland TS1 1QT. Cleveland County comprises the boroughs of Hartlepool, Langbaurgh, Middlesbrough and Stockton-on-Tees.



THE MANAGEMENT PAGE

Why an EEC proposal is entrenching attitudes on both sides of industry

John Wyles outlines the implications of the Vredeling directive

PETER PESTILLO and Ron Todd may be known to each other, but professionally their paths never cross. Pestillo is U.S. vice-president in charge of labour relations at Ford Motor Company while 4,500 miles away Todd leads the union negotiating team representing Ford manual workers in the UK. In certain extraordinary circumstances, Pestillo might have to discuss Ford's global corporate plans with Todd if a draft European Commission directive were ever adopted in its present form. Todd, like the European TUC, would regard such an encounter at Ford's world headquarters, Dearborn, Michigan, as a positive advance for trade unionism. The possibility fills many of Pestillo's fellow American executives with fear and loathing. European businessmen from London to Athens, from Copenhagen to Rome, are similarly united in declaring another large chunk of the "Proposal for a Council Directive on procedure for informing and consulting employees of undertakings with complex structures, in particular transnational undertakings". The shorthand title of this Euro-speak is the "Vredeling proposal" after the former Dutch Socialist Commissioner, Henk Vredeling, who jointly sponsored its adoption by the Commission in October 1980 with Viscount Etienne Davignon. Since then, Davignon has not fought to keep his name associated with the proposal. It is, after all, a basic charter for multinational trade union negotiating rights across national frontiers. Its premise is that multinationals tend to keep their employees inadequately informed and consulted on a broad range of policies which affect their interests. Its assumption is that arm-length decision-making from a headquarters which may be in another country or outside the Community altogether gives some managements the opportunity to run their businesses with fewer obligations to win the consent of their employees. The Commission's remedy is to oblige the headquarters—de-

finied by Vredeling as the "dominant undertaking"—to show its subsidiaries twice a year with information on corporate policies and activities. The same dominant undertaking would be required to shelve for 40 days any decision "liable to have a substantial effect on the interests of its employees." In the meantime, the managements of its subsidiaries would have to consult workers' representatives "with a view to reaching agreement" on the proposed decision. These consultations could, under the directive, involve central management and representatives of the entire multinational workforce in the Community. Little wonder that since the proposal was first wheeled into U.S. boardrooms the reaction from across the Atlantic has become increasingly choleric. To some American chief executives the Vredeling proposal is simply a socialistic bid to force co-determination on multinational companies. In more measured terms, the National Foreign Trade Council of New York and the American Chamber of Commerce in Brussels warn that the proposal would harm business competitiveness, create a major political row about EEC jurisdiction over U.S.-based companies and deter further American investment in Europe. The U.S. Government has been more sotto voce, but firm nonetheless. An unpublished letter from the State Department to Congressman Thomas Luken reveals that the Reagan Administration thinks the draft directive "is ill-advised as a matter of policy, contains troublesome transnational aspects and would, if adopted in its present form, adversely affect U.S. firms doing business in Europe." Two Bills have already been introduced in Congress to shelter U.S. companies wishing to avoid compliance with foreign disclosure laws. Meanwhile, UNICE, representing EEC industries, is stressing that the shadow of Vredeling haunts not just multinationals. It is meant to apply to all undertakings with more than 100 employees, so it may touch up to 40,000 small and medium-sized businesses, says UNICE. The organisation sees threatened disruption to industrial relations and damage to competitiveness by a measure which it claims is basically unnecessary in view of the increasing success of the disclosure clauses of the OECD's voluntary guidelines for multinationals. EEC governments are keeping a watchful eye on Vredeling's progress. Their detailed reactions will not be needed until the European Parliament has delivered its opinion later this year and the Commission has decided the changes it wants to make to the draft before sending it to the Council of Ministers. Ivor Richard, Vredeling's successor as Social Affairs Commissioner, is committed to pressing ahead with the directive but wants a draft which would put an end to what he calls the "trench warfare" between unions and employers which the original has provoked. Ivor Richard is reluctant to acknowledge his predecessor's responsibility for those hostilities and he and his advisers do not hide their belief that the business lobby is over-reacting. According to Richard, the Vredeling proposal is essentially "modest" and wholly in line with objectives set by EEC governments in January 1974. But this presentation seems rather naive when it is remembered that the proposals offer trade unions the opportunity to organise and seek representation at a transnational level. This has been their objective for at least a decade and would be secured by Articles 7 and 13 of the proposal. The proposals allow the creation of a body representing all employees of the dominant undertaking and its subsidiaries within the Community. Management agreement would be needed and there is no doubt that many companies would come under strong pressure to recognise such a joint union body. While it may escape Richard, the importance of this proposition is not lost on the ETUC, UNICE or the American corporate lobby, and it is one of the principal reasons why they have dug their opposing trenches. "It is nonsense to set up something like the Common Market and to aim at industrial change on a European scale without giving the unions some opportunity of getting together themselves. One of the purposes of the EEC was to make the multinationals more accountable," says David Lea, assistant general secretary of the British TUC and chairman of the ETUC's committee. For their part, European employers will fight this issue down to the last draft amendment and will put enormous pressure on their governments to block it in the Council. The problem for the trade union supporters of Vredeling is that it is loosely drafted—firms making it too easy a target for criticism—and rather confused about its objectives and means of attaining them. One of its two basic aims is to improve the access of employees of multinationals to information about their own enterprise, its relationship to the activities of other subsidiaries, and to the group as a whole. This is not a very controversial objective. But Vredeling believes it can only be achieved by bringing down an avalanche of information on workers' representatives. For example, Article 5 could reasonably be read as requiring IIT headquarters in America to supply the employees of its Abbey Life insurance group in the UK with information on the production and investment programmes of its subsidiary company manufacturing TV sets in Spain, and vice versa.



Choleric... Face value... This approach to what in some countries and in some companies is a genuine problem nevertheless implies a Machiavellian view of multinationals which needs explaining and defending. It seems to suggest that few corporate decisions by these companies can necessarily be taken at face value. As a result, they must be forced to lay all their cards face up on the table if their game is to be understood and countered by employees' representatives. Vredeling's approach to consultation is as indiscriminate as it is to information disclosure. Its aim is to enable employees of multinationals to influence decisions which substantially affect their interests. Commission documents and Ivor Richard's speeches suggest that the main specific objective is greater consultation on closure decisions. The 40-day advance consultation rule which would cover closure and many other decisions could greatly alter the balance of power in EEC industrial relations by enhancing workers' opportunities to organise against management strategies. This proposal is not necessarily wrong but it is certainly not "modest" and the vehemence of employers' reactions is understandable. The employers have, however, lacked a certain perspective, and this is particularly true of the positions taken by American companies against Vredeling. They should realise that Armageddon is still a long way off. The proposal is currently being worked over by the social affairs and employment committee of the European Parliament. Its rapporteur, British Conservative Tom Spencer, has already proposed a series of amendments which would reduce the scope of Vredeling. Most employers, however, still find Spencer far more sympathetic to the proposal than a British Conservative ought to be. But it will emerge from a centre-right Parliament in rather different shape from the original and then it will be revised by a centre-right Commission far more sensitive than it was in 1980 to its possible impact on business investment in the Community. Finally, and most important, it must then get past the Council of Ministers where it could almost certainly languish for as long as Mrs Thatcher's government, not just hers alone, remains in power. Vredeling's gestation period will be a long one. If ever a final piece of legislation is born, it will look rather different from the present proposal.

BOARDROOM BALLADS

CAVEAT EMPTOR

The man with foreign sounding name Was on my line again today! For quite a time it's been the same, But how I wish he'd go away! When first he called from Biarritz I felt a trifle flattered, And breakfast meetings at the Ritz Made me feel I mattered. \* But that was quite a while before I gained my board promotion. Yet still he tells me how much more I'd earn across the ocean. And judging by the dossier Possessed by this recruiter, I sometimes wonder if he may Be hooked to our computer. \* So on and on, with knowing winks He dissertates about me, And half-suggests my chairman thinks He'd do quite well without me. And how he'd like to meet my wife And, over dinner, urge her To taste the oriental life; And what if there's a merger? Next week: The cult of leadership

BUSINESS PROBLEMS BY OUR LEGAL STAFF

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Can you tell me how one goes about registering the name of a publication to protect the title, before the publication has appeared? I have in mind an international publication which might get going within a few months. You would normally have a copyright in the title or at least in the form of the title page (if it is not a single ordinary word) and so registration would not be necessary. You should, however, show (on publication) that copyright is claimed. Unfortunately you do not say precisely what the word is. If, for example, it simply says that you are to receive remuneration, then an appropriate rate might be the hourly rate for a solicitor's clerk for the hours you reasonably put in. You would not be entitled to remuneration at your full professional rate; we assume that your own professional expertise does not relate to estates or trusts. Your remuneration will indeed be taxable, as you may have deduced from the answer published in our Finance and the Family Column on January 16 under "An executor's remuneration." You may well think it worth while to seek local legal guidance, in view of the size of the estate. No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Remuneration of executor

I am executor/trustee under a will of quite a sizeable estate. The will fully authorises "remuneration." Would an equitable basis be to charge a sum equal to what I could have earned professionally had my time not been

MAI computers logo and address: Black Arrow House, Chandos Road, London NW10 9NF, Tel: 01-853 9731

Union Bank of Switzerland Notice to Holders of the 5% US\$ Convertible Bonds due 15th May, 1989 of Union Bank of Switzerland (Panamá), Inc., Panamá

Bonus Issue of Participation Certificates. In order to allow the holders of shares and participation certificates to benefit from the good business results in 1980 and 1981, the Board of Directors has decided at its meeting on March 4, 1982 to issue, in addition to the cash dividend, a dividend in the form of bonus participation certificates. One bonus participation certificate will be issued free of charge for every 2 bearer shares, for every 10 registered shares and for every 50 participation certificates already held. The new Participation Certificates will be entitled to dividend from January 1, 1982. not later than Monday, April 5, 1982. Union Bank of Switzerland logo

Union Bank of Switzerland Notice to Holders of the 4 1/2% US\$ Convertible Bonds due 15th May, 1987 of Union Bank of Switzerland (Luxembourg), Luxembourg

Bonus Issue of Participation Certificates. In order to allow the holders of shares and participation certificates to benefit from the good business results in 1980 and 1981, the Board of Directors has decided at its meeting on March 4, 1982 to issue, in addition to the cash dividend, a dividend in the form of bonus participation certificates. One bonus participation certificate will be issued free of charge for every 2 bearer shares, for every 10 registered shares and for every 50 participation certificates already held. The new Participation Certificates will be entitled to dividend from January 1, 1982. not later than Monday, April 5, 1982. Union Bank of Switzerland logo

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مركز التحليل

THE ARTS

Television

Whoops repetitive!

by CHRIS DUNKLEY

You can imagine the programme planners at one of London's weekly TV channels...



Peter Jones, Geoffrey Palmer and Richard Davies in Whoops Apocalypse

But when they get the series and, sure enough, it is about the toasty subject of World War III...

Perhaps my scenario is wholly inaccurate and dreadfully unfair, but the series is certainly much stronger on the idea of shock and provocation...

comedy news bulletin. Now, with practically no fuss at all, toplessness has become commonplace after 10 o'clock.

Perhaps we are at last losing some of our paritainment and hypocrisy, and if so I think cheap flights to the topos Mediterranean beaches...

In the past week we have had a special extra edition of Did You See and the article on this page last Thursday by John Shearer...

Mike Leigh is the Mark Boyle of television drama. Starting with Hard Labour in 1973 and continuing with his two most successful productions Nuts in May and Abigail's Party...

During the seventies if you visited an exhibition by the artist Mark Boyle your impression on entering the gallery was that he had somehow managed to cut out great bits of the high street...

I cannot recall any other series which produced as much comment from its own producers as BBC's Police. The subject was dealt with ruthlessly with Head to Head in 1973...

Elizabeth Hall/Radio 3

Where the Wild Things Are

One thing, and one thing only was seriously wrong with the British premiere of Oliver Knussen's 'Where the Wild Things Are'...

The work had its Sendak-designed premiere at the Brussels Mennais at the end of 1980 (at which time it was fully described on this page by Dominic Gill)...

so minute spao - and, beyond that, his desire to revive the exotic, picture-book music-dramatic conception, simple in outline and elaborate in fact...

When the work is staged, that will perhaps be time to trace out the serious side to the pleasures of the piece, what the work is undeniably but unparaphrasably 'about'...

Festival Hall

Festival of India

The Festival of India will continue with exhibitions and performances till mid-November, but rather against one's expectations...

As always, Subbalaakshmi sounded poised and infinitely serene. There was first a gentle musical invocation and then her principal offering, based on the raga Anantavaharini...

They concluded with a hymn in a darker mode, dear to Gandhi. Ravi Shankar's Concerto No 2 Raga-Mohi, 'garland of rags'...

Soho Poly

Blow on Blow

There are two kinds of blows. A mother beats her child, but she too is violated by a barrage of social and psychological cruelties...

It is a gruesome monologue, but a four-to-five force for Kika Markham who carries us through an unhappy girlhood...

here, which was no doubt present in the original, but makes it difficult to focus very clearly on the interpretation.

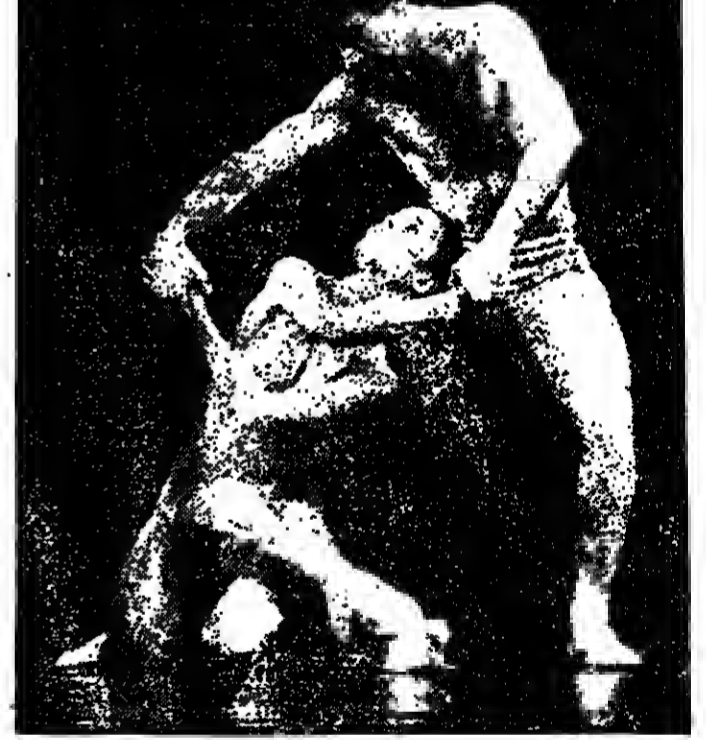
After the girl is taken away, she learns to live differently with her other children, using her voice instead of berating, screaming and berating when the fit comes on...

Sadler's Wells

Airs by CLEMENT CRISP

Airs, which has entered the Ballet Rambert repertory this season, shows us Paul Taylor at his happiest and most serene...

economy, lustro, and not to be missed, even in this as yet less-than-idiomatic interpretation, which will be improved when the cast try less hard to twinkle or look holy...



Diane Walker and Robert North dancing in 'Airs'

Bishopsgate Hall, EC2

Lunchtime Mozart

The City Music Society has long presented recitals at Bishopsgate at Tuesday lunchtimes; this week the recitals are daily, with the Chilingirian Quartet playing six of Mozart's 'Haydn' quartets...

The Bishopsgate Hall acoustic flatters the lower instruments - Philip De Groote's rich cello and Casba Erdelyi's firm, grave viola - more than the violins.

from op. 74 strode purposefully away, relaxed and breathless in the Andantino grazioso, took on a sharper focus in the Menuetto and then trundled in the Finale: I fancy that Haydn's riposte is not ideal for delicate lighter touch.

THEATRES

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F.T. CROSSWORD PUZZLE No. 4,830. Includes a crossword puzzle grid and a list of clues.



FINANCIAL TIMES

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Wednesday March 24 1982

Law and order agitation

MR WILLIAM WHITEHEAD, the Home Secretary, seems to have had considerable success in defusing the law and order agitation from Right-wingers in his own party at a private meeting on Monday night. But it is essential, when he speaks on the same subject in the Commons tomorrow, that he should make it clear, not merely that the Government is not going to be railroad by the hysteria of the law and order lobby, but that it remains firmly committed to the general thrust of the reforms recommended by Lord Scarman last autumn.

The agitation has been aggravated by the demagoguery of certain elements in the media. But matters have not been helped by Scotland Yard's selective emphasis on certain rather small categories of last year's crime statistics, purporting to show a disproportionate black involvement in muggings, nor by the Police Federation's campaign for the restoration of capital punishment, nor by the call by Mr James Anderton, Chief Constable of Manchester, for the abolition of Police Committees in their present form. Taken together, these three events look suspiciously like a political campaign by the forces of law and order to pre-empt, and if possible prevent, the implementation of Scarman.

Inflammatory

There is nothing inherently wrong in trying to establish ethnic correlations for certain types of crime; it may even be useful, just as it may be useful to try to establish the degree of black disadvantage in the jobs market. But Scotland Yard would have shown greater responsibility if it had paid more attention to a speech delivered a few days earlier by Sir James Crane, the Chief Inspector of Constabulary, in which he warned against intemperate interpretation of crime statistics.

There is no good case for a restoration of capital punishment, and no doubt the Police Federation's campaign will be firmly resisted. But if the police service wishes to fend off what it sees as the danger of political interference in police opera-

Opec moves to curb output

THE TEMPTATION to cheer too loudly at the decline in world oil prices and the parallel disarray within the Organisation of Petroleum Exporting Countries should probably be resisted. There are clear advantages for both the industrialised and developing worlds in a lower price range for hydrocarbons. But for all its declining influence Opec still accounts for around 40 per cent of the non-Communist world's supplies and its decisions in Vienna last week which could if sustained strengthen its credibility as a producers' cartel.

Opec appears to be at a crossroads. For the first time in its history it has attempted to behave as a proper cartel by fixing production limits for each of its members, instead of merely attempting to agree on prices and allowing market forces to dictate output. The key issue for Opec now is whether it will be any more successful in controlling the production banks than it was in the past at restraining its price hawks. The new production agreement aims to defend the \$34 a barrel reference price for Saudi light.

Damaged

Iran has already announced that it will not stick to its production ceiling of 1.2m barrels a day and is offering attractive discounts in an attempt to push output towards 1.7m b/d. The Opec agreement may be able to survive with an errant Iran but it would be severely damaged if Nigeria was to break ranks. The true intentions of Saudi Arabia are, as ever, difficult to discern. Nigeria and some other Opec members would like to believe that the Saudis will drop their production to as low as 6m b/d and arrange financial assistance for the hardest-hit members of the cartel, but Saudi Arabia has not yet openly confirmed that it is ready to do this.

Sheikh Ahmed Zaki Yamani, the Saudi Minister of Oil, has long urged moderation on those Opec members who he felt were forcing up the price of oil too rapidly. He would like to see the reference price frozen at \$34 until the end of next year which, when inflation has taken its toll, would imply a significant fall in the real price. But there are technical reasons why Saudi Arabia may not be able to lower its output below 6.5m b/d. Such a reduction, if sustained, could risk

IN THE thirty-sixth floor boardroom of the green grey skyscraper which houses the trades union-owned Bank für Gemeinwirtschaft, the barons of organised labour in West Germany meet tonight to grapple with the repercussions of a financial scandal which has shaken and divided the union movement.

The implications of the affair threaten to penetrate deep into West German society. For the trades unions have been one of the pillars on which the Federal Republic has built its economic success and political stability in the post-war period, and some of the union leaders under attack are among the most steadfast supporters of Chancellor Helmut Schmidt's Social Democratic Party-led coalition Government.

A month ago, on February 13 the chief executive and two top executives of the union-owned Neue Heimat, Europe's largest housebuilding company, were sacked without notice at a hastily convened Saturday night meeting of the supervisory board of the company.

The ruthless house clearing at Neue Heimat, a company with an annual turnover of DM 6.5bn, followed allegations of questionable business transactions involving the company and private property firms in which the three men secretly held major interests. The Hamburg City Prosecutor's Office has subsequently started investigations against Herr Albert Vetter, the chief executive, and others because of suspicions of breach of trust.

The events have sent tremors through the German labour movement because, apart from the statutory representatives of the group's own workers, the supervisory board of Neue Heimat is comprised entirely of top executives of German labour unions. The board of directors must include one of the most powerful union bosses in the Federal Republic, Herr Eugen Loderer, head of the 2.7m-strong I.G. Metall, Herr Heinz Kluncker, head of the I.L.M. strong public service and transport union (OTV) and Herr Heinz Vetter, head of organised labour's umbrella organisation, the German Trade Union Federation (DGB).

The personal integrity of these men and their peers has symbolised the values of honesty and moderation which have underpinned the union's influence in post-war Germany, and fostered the smooth running of the Federal Republic's labour relations machinery. The integrity has not been questioned as a result of the Neue Heimat scandal, but particularly in three cases, their judgment has been levelled against the supervisory board last night it was not doing its supervisory job well enough, especially since Neue Heimat has sometimes been publicly criticised for inefficiency and unsatisfactory treatment of its tenants.

Subsequently, however, it has emerged that both Herr Loderer and Herr Vetter, and another trade union official Herr Alois Pfeiffer, have invested heavily through Neue Heimat in tax-

WHO'S WHO IN THE AFFAIR

Heinz Oskar Vetter (64), chairman of the West German Trades Union Federation since 1969, is due to retire in May. A mechanical engineering apprentice and then a coal miner, he was deputy chairman of the miners' union before becoming DGB chairman. Since 1979 he has been a member of the European Parliament. Engen Loderer (61), chairman of West Germany's largest union, the 2.7m member I.G. Metall since 1972, and deputy chairman of the supervisory board of the engineering concern Mannesmann, is generally recognised as the country's most powerful trades union leader.

Heinz Kluncker (57), since 1964 chairman of the Public Service and Transport Union is next to Loderer, seen as the most influential union leader within the DGB. Alois Pfeiffer (57) came to the board of the West German Trade Union Federation from the tiny Horticulture, Agriculture and Forestry union which has around 50,000 members. He has emerged this year as the front-runner and official candidate to succeed Vetter. Walter Hesselbach (67), the most influential banker and businessman of the West German union movement, is chairman of the unions' main holding company, Beteiligungsgesellschaft für Gemeinwirtschaft, which handles a large part of their interests in many enterprises such as the co-op Group, one of West Germany's biggest supermarket chains, the BfG Bank and the Volksfürsorge insurance group, second largest in the Federal Republic. Albert Vetter (59), a grocer's son with only elementary education joined Neue Heimat shortly after the war, becoming a director in 1954. By 1963 he was chairman and over the next two decades he turned the group into West Europe's biggest housebuilding and house management company, administering more than 500,000 homes in West Germany.

sheltered housing developments in Berlin. Such investments are perfectly legal. But their connection with Neue Heimat, the traditional trade unionist distaste for such tax privileges for the "rich" and the fact that the union leaders normally associated with capitalism has shocked the grassroots membership which is suffering from the worst labour market crisis in the post-war period. "We can see it in the letters we get at head office about Neue Heimat from our members. There is a growing crisis of confidence in the leadership of the trade unions in this country," said the board member of one large union privately earlier this month.

The Neue Heimat scandal, which began in earnest with an article in the news magazine Der Spiegel in February, could scarcely have occurred at a more unpropitious moment. The economic recession and the seemingly inexorable erosion of the coalition Government in Bonn have been chipping away at union power.

Organised labour's power in Bonn has waned as the historic ties between the unions and Herr Schmidt's Social Democratic Party, the senior member of the ruling coalition Government have also become strained. Decisions forced on the SPD by its coalition partner, the Free Democrats, and by soaring budget deficits, have forced the unions to ask themselves who their friends in Bonn really are.

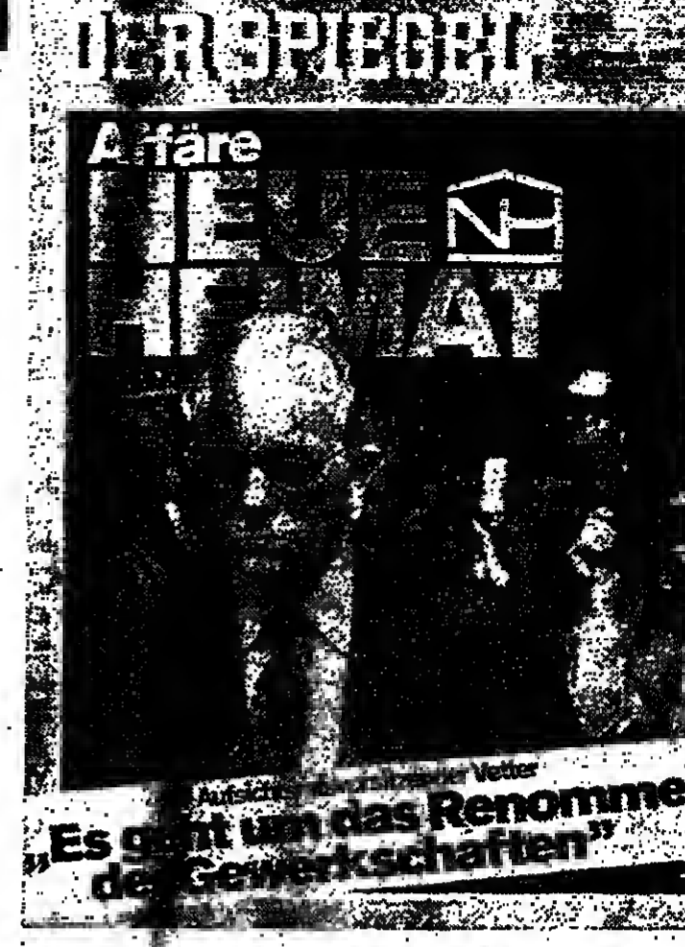
Stagnating or shrinking membership of some trade unions coupled with the increasing costs of keeping the big union bureaucracies going,

have weakened their finances. Since 1979 the unions have had to pump over DM 700m of new equity capital into their business interests. The erosion of their financial resources makes it harder for unions such as I.G. Metall to contemplate a strike action.

Meanwhile rising unemployment—almost 2m Germans are currently without work—and recession have tended to strengthen the influence of the more radical members of the unions. These problems are the background against which union officials and executives in some of the union-owned companies will be making practical decisions about the future policies, particularly in relation to the union-owned bank.

The Bank für Gemeinwirtschaft an institution with some DM 56bn (€13bn) of assets, one of the 10 largest West German banks, it has long been the flagship of the union-owned concerns, and because of its status as a source of loans to support strikes, a keystone in organised labour's defences.

Earlier this year, however, it emerged that alongside West-Deutsche Landesbank BfG seems to have become the worst casualty of the profits collapse in the German banking industry last year. It has long been an operating loss in 1981 and had to mobilise hidden reserves (partly by selling control of an important subsidiary) to cover that loss.



How the Neue Heimat scandal broke.

The bank disclosed that its union owners had had to inject another DM 110m of equity capital, too, bringing to DM

485m the funds which the unions have had to pump into BfG since 1979.

Behind the profits collapse lay, to a very considerable extent, poor management decisions. Herr Thomas Wegscheider joint chief executive of the bank, admitted ruefully that the bank had misjudged the outlook for German interest rates again at the beginning of 1981. In addition, BfG has had the misfortune of being the West German bank most heavily committed to lending to Eastern Europe.

BfG is believed to have some DM 700m of non-government guaranteed credit outstanding in Poland, a figure which is double that which the Deutsche Bank, an institution three times its size, has committed there. The bank's capital reserves total around DM 1.9bn. But its total commitment, to hard pressed East European Communist borrowers, is believed to be substantially more than its Polish exposure.

It is not just business, but also personal problems which will figure in the meetings of the board of BfG, which precede the board meeting of the German Trade Union Federation itself. The question of the future leadership of the bank has been opened up by the departure of one of the bank's two joint chief executives, Dr Dietrich Hoffman, to take over as chief executive of Neue Heimat.

The charismatic Dr Hoffman was a protégé of Dr Walter Hesselbach, chairman of the bank between 1961 and 1977 when BfG was building up its

heavy East Bloc lending commitments.

Dr Hesselbach has not escaped unscathed from the aftermath of the Neue Heimat affair. Like Herr Vetter, Herr Loderer and Herr Pfeiffer (and perhaps others, as yet unnamed union leaders) he, too, invested heavily in tax-sheltered Berlin property, by his own admission, to the tune of DM 600,000.

Critics of the trade unions, and of their business interests, have been presented with more than enough ammunition by the profits collapse at BfG and the profits problems of Neue Heimat which ran up losses of DM 529m in housebuilding between 1973-1980 and whose property development arm, Neue Heimat Städtebau, needed a DM 230m capital injection from its financially stretched union owners last year.

Even union officials concede that the poor performance of the union-owned companies and the far from impressive performance of the union-dominated supervisory boards within these companies (in particular within Neue Heimat) are not proof of an advertisement for expanded "co-determination," the legal framework which has taken union officials onto the boards of companies like Daimler Benz, Siemens and Volkswagen.

On the contrary, it is argued that the way that the unions themselves have packed the supervisory boards of BfG and Neue Heimat with union officials makes a mockery of official labour policy of "co-determination." It has resulted in too much familiarity between the union officials in the supervisory board and the labour sympathisers who have been promoted to top management positions in the companies and is inhibiting the recruitment of new top quality executives.

The BfG bank, in particular, is said to be now facing an "identity" crisis. Can an international financial institution of its size really reconcile the at times conflicting philosophies of multi-national capitalism on the one hand and the interests of its trade union owners on the other?

Alongside the particular issues raised by the union's business interests are broader political considerations stemming from the Neue Heimat affair and its aftermath.

Both union officialdom and the heads of Germany's big companies in an hour of the possibility of the German labour movement falling prey to what many of them see as a major weakness of British trade unions, namely a growth of semi-independent sections on the shop floor because of the weakness of the authority of union head offices.

For this reason how they decide to handle the fallout from the Neue Heimat affair presents the unions with a decision of the utmost long-term importance, the wounds which have been suffered in the past two weeks by union officialdom do not fester at the shop floor level and begin to undermine the authority of the union leadership.

WEST GERMANY

A scandal shakes the unions

By Stewart Fleming and Kevin Done in Frankfurt

Men & Matters

Italian job

After his six-year stint as chairman of the Conservative Party—“really hard work,” that former Tory Chancellor Lord Thorneycroft has turned with renewed zest to his business career.

At the age of 72, it seems, politics, like his painting, is now to be pursued at leisure and mainly for pleasures. But yesterday he extended his already extensive Italian connections by joining the venetian company Cinzano as first British chairman of its UK subsidiary. The job seems to fit comfortably alongside his position as president of hotels group Trusthouse Forte—and with his other Italian business link as chairman of Erelit.

Thorneycroft, who is married to an Italian countess, was welcomed by Cinzano's UK general manager Marquis Edoardo Ferrero as “an important ambassador, within the British business and financial community.” Count Cinzano was also on hand to greet him yesterday—and to bring marketing man Nick Turnbull and company secretary John Shearn on to the board in preparation for another year's battle with Britain for the £260m UK venetian market.

Called back

I have written before about the Treasury's Rent-a-Mandarin service. It has placed more than a dozen people in strategic industries during the last couple of years. Admirable services are ascribed to the programme. The high fliers gain experience out-

side the nest, and the wisdom of Whitehall rubs off upon the lucky recipients of the young talent.

But now it seems that the Treasury is too short of strong young birds to let them fly freely for long. Martin Hall, aged 36, has been called back to base early to become the new head of information at the Treasury. Just 21 months ago he left the plum post of private secretary to the Chancellor, Sir Geoffrey Howe, to begin a secondment of up to three years as head of commercial affairs at the Engineering Employers' Federation.

Nothing leaves a Chancellor feeling quite as naked, however, as the absence of a press secretary. And the present holder of the post, Rosalind Gilmore, is leaving on May 1 to join Dunlop. So Hall has been asked to return to Great George Street ahead of time. When one looks back at the recurring world financial crises in August and September in recent years, it is obvious that a prudent Chancellor will want to be well guarded during what we used to think of as the holiday months.

After course

The closure of the naval dockyards could also prove to be the salvation of the towns that have been host to them ever since Sam Peppy took charge of the Royal Navy. At least, that's the consoling view from Whitehall.

Chatham on the Medway is destined to lose several thousand jobs in the biggest assault since the Dutch fleet broke the boom and sailed up the river Medway. Portsmouth, which has always been itself as an island city only tenuously linked with the mainland by bridges, has a tight-packed population of about 800,000. The city will lose about 10,000 jobs directly and indirectly as a result of the new blows of the Ministry of Defence axe upon

ment locally. Portsmouth has played host to new high technology industries in recent years including the national headquarters of IBM and the expansion of Marconi. The release of resources by MOD is seen by local optimists as a rare opportunity for the city to develop faster as a high-technology centre.

The key to Portsmouth's future prosperity seems to be the further development of cross-Channel links and the willingness of the navy to release surplus land for industrial and commercial development.

Already some locals are saying that Whala Island in Portsmouth Harbour—the sacred turf of naval gunnery—could make a splendid roll-on-roll-off terminal.

Top billing

April fools' day is not an auspicious date on which to hold the second reading of the Lloyd's Bill in the Lords. Already it is difficult to open the door of the private Bills office there because of the volume of petitions for changes to the Bill.

But if there is open opposition in the Lords to the Bill, the legislation will be defended by Lord Windlesham, no stranger to a fight as a director of Lord Grade's Associated Communications Corporation.

Know-how

A reader tells me that when the TV set in his Kensington hotel room stopped working, he dutifully obeyed the instructions on a notice by the control panel: “Do not attempt to rectify faults. Please ring for TV technician.”

An assured young man arrived and mended the fault swiftly and surely—he gave the set a sharp kick with his left foot.

Royal Naval bases announced yesterday by the First Sea Lord Admiral Sir Henry Leahy.

Chatham has a reservoir of skilled people trained at the MOD's expense. Also the town is strategically sited upon deep water and is on a direct line between London and the main Channel ports.

Portsmouth will not ride the blows so easily. Although the naval base, including HMS Victory herself, will remain as a focus for naval affairs the closure of the dockyard will knock a hole in the local economy. Dawson Penn, managing director of Indrov, a clothing retailer in the town, says he expects some 25 per cent of the citizens to be affected by the defence cuts in one way or another.

Know-how

But it is also acknowledged that low pay and low productivity at the MOD establishments have held back develop-



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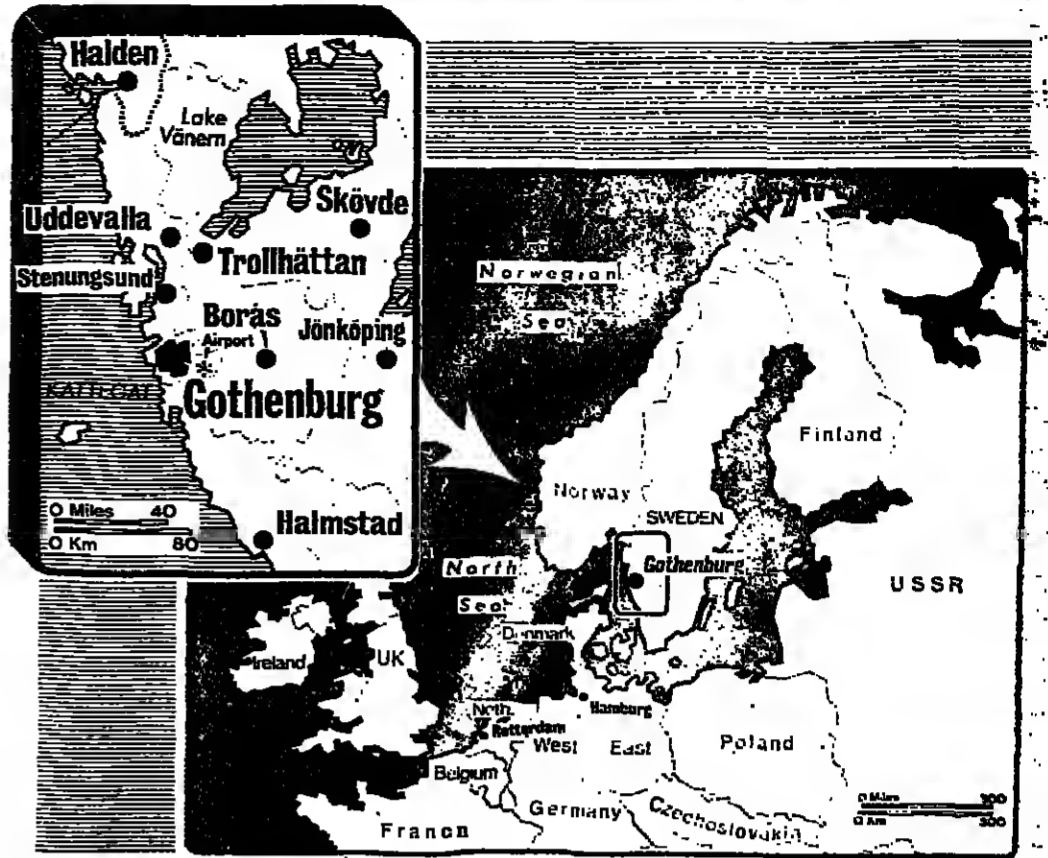
Observer



مركز من الأعمال

## GOTHENBURG and Western Sweden

The region, the country's biggest engineering and transport centre, has been harder hit by recession than the rest of Sweden but is fighting back. Concerted action by local authorities and businessmen has resulted in new technical skills being developed and new companies formed. Survey by William Dullforce.



### Struggle to hold on to jobs

By William Dullforce  
Nordic Correspondent

WEST SWEDEN is a region containing the country's second city, Gothenburg, and stretching from the Norwegian border in the north to the port of Halmstad to the south. It is the home of just under a quarter of the Swedish people. The region's industrial tradition is somewhat different from that of the rest of Sweden in that it was based originally more on engineering skills and inventiveness than on the exploitation of local raw materials such as iron ore and timber. Its business and trade were much influenced by links with Britain, and it developed an industry and workforce very similar to those of British and other West European industrial centres. As a result the region has been harder hit than the rest of Sweden—with the exception of the steelmaking and iron mining areas—by the depres-

sion of the 1970s and the growing competition from Japan and the newly-industrialised countries. The central government has had to pour money into the shipyards to maintain jobs and avert the threat of large-scale unemployment. But the region is fighting back. Concerted action by industrialists and local politicians has brought about a recovery, though a fragile one. It is not too much to say that Sweden's contemporary industrial drama is being enacted here in Gothenburg and West Sweden. It is the country's biggest engineering centre, the home among others of Volvo, by far the largest single enterprise in the Nordic area. Some 37 per cent by value of the industrial goods manufactured in the Greater Gothenburg area is exported. The city has the biggest port in the North. It takes more than a quarter of Sweden's own trade and is an important transport centre for other Nordic countries, handling goods for Denmark, Finland and Norway. In the 1970s two of the three big shipyards in Gothenburg closed down. Car production, which is crucial to employment in the region, vacillated. Ship-owners were in severe financial straits and inland the textile and clothing mills struggled and wasted. Unemployment in the region reached a new peak in January but the remaining big shipyard in Gothenburg, now building offshore platforms instead of

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ships, has a much fatter order book and could be back in profit this year. Volvo surprised the world car markets last year by selling more cars and capturing larger shares of declining markets. So did Saab, which also produces cars in the region. Earnings at SKF, the roller bearing multinational with headquarters in Gothenburg, were pinched by losses on its steel business in 1981. But after taking some years to re-organise its production it is now success-

fully defending the commanding heights of the bearings business against the Japanese. ESAB, the welding equipment manufacturer which is the fourth-largest industrial employer in the area, appeared three years ago to be doomed by the collapse of its main customers, the West European shipyards. Last year it went on the attack, starting to buy up foreign companies and to take bigger market shares. The turnaround in the established concerns represents a consolidation, in some cases as in the shipyards at a lower level of output, and employment. It has been achieved partly by introducing production methods adjusted to the realities of Swedish labour costs and by hard work on improving products. Local authorities and businessmen in the small townships of the region as well as in Gothenburg are working together to exploit latent technical and management skills and new companies are being formed. The number of electronic concerns has doubled in the past three years. Among the most interesting new developments are efforts to harness the resources of the Chalmers Technical University in Gothenburg to industry. Another is based on the idea of exporting the city's knowledge of transport and materials handling. A group of companies manufacturing handling equipment both for factory production, warehouses and transport channels has been formed.

Nobody is boasting that all the problems have been solved. The projections up to 1985 of the local labour offices do not promise any big decrease in unemployment. The threat to the textile companies has not been removed. So much depends on external factors, such as business developments in Western Europe and the U.S., or the result of the general election in September, which could replace the present anti-socialist coalition with a Social Democrat administration. Expectations in the region are lower than they were at the beginning of the 1970s. But among West Swedish industrialists and businessmen the mood is swinging back towards optimism. In explaining this shift of mood local patriots stress the difference of West Sweden. The region, along with the rest of the country, has experienced strong growth in the public sector in the 1970s, but the overall trend has not been quite so sharp. And bureaucracy is said to be less pervasive in Gothenburg than elsewhere in the country. A theory more tentatively offered is that greater political realism is to be found in West Sweden than in the capital. It is true that at national congresses last year trade union representatives from the Gothenburg area spoke in favour of policies that would promote industry and create jobs against the more ideologically motivated contributions of other delegates.

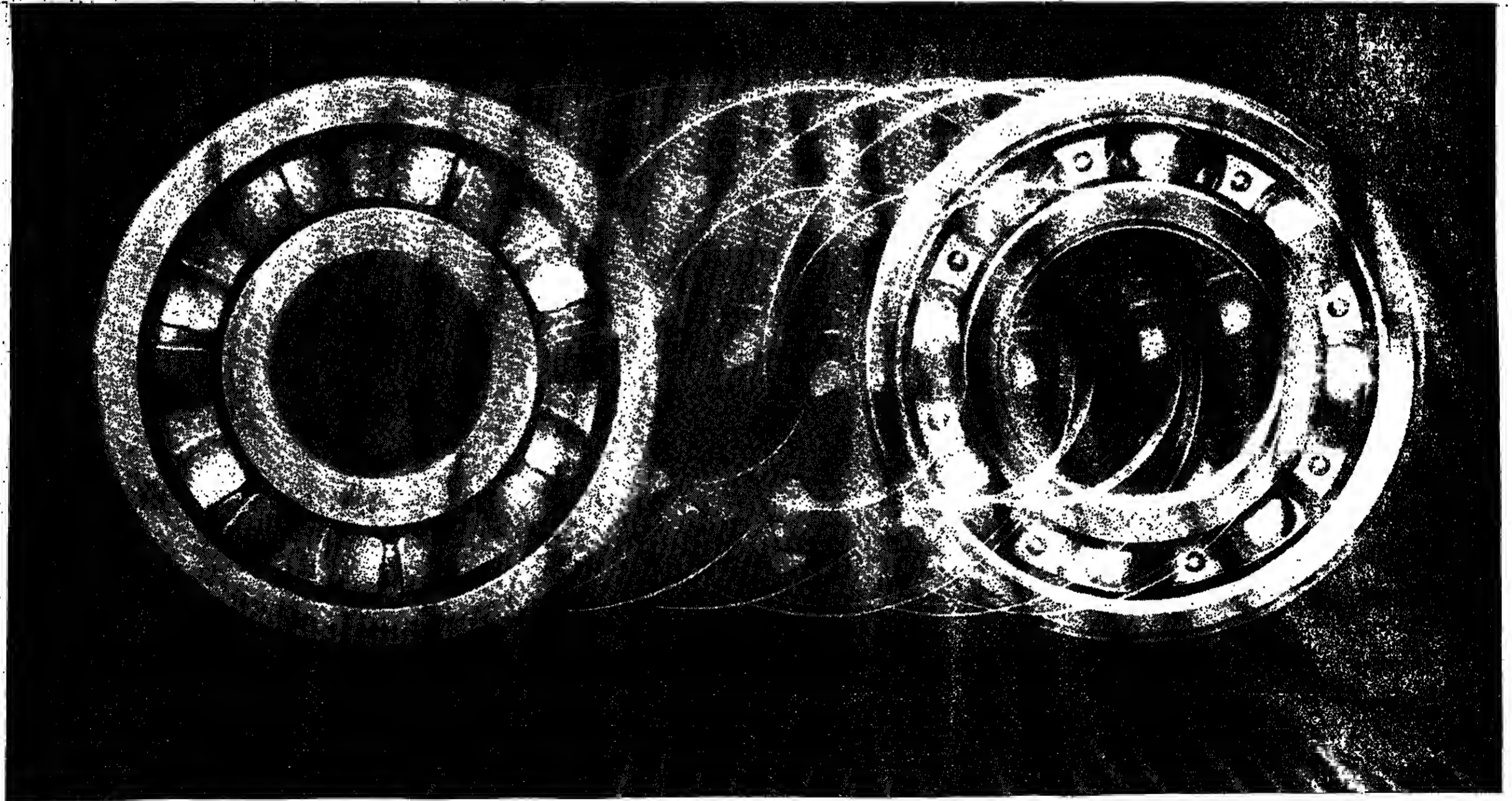
### Trade links which brought the British

GOTHENBURG (Göteborg in Swedish) is the only Swedish city with an English name, one which the Gothenburgers themselves prefer to use when speaking or writing English. The term "Little London" was first applied in the city in a local newspaper by the Swedish writer and dramatist August Blanche, in 1833. His satirical column, teasing local citizens for aping the ways of the British, originated the joke—still related to visitors—that when it rains in London the Gothenburgers put up their umbrellas. But it was more for the trade connection than the rain they shared that the appellation "Little London" stuck. However, it is the Scots

who can fairly claim to have exercised the major British influence on West Sweden. They started to settle there in the 18th century and several West Coast Swedish families still bear Scottish names. A Campbell, rejected by the snobbish East India Company of London, got his own back by setting up a business under the same name in Gothenburg. A sugar refiner called Carnegie established the first brewery. Another Scots family, the Diabsons, was the first to start exporting Swedish timber in a big way. At Uddevalla to the north of Gothenburg, a private restaurant now occupies the family home of the Thor-

burns. The walls are still lined with books, some of them boys' adventure stories in English from the late 19th century. The Thorburns were among the Scottish descendants who in the second half of the 19th century organised the oats trade with Britain, exporting not to their former homeland but to the English for feeding their horses. Scots helped to turn Gothenburg into an industrial and shipping centre in the latter part of the 19th century. The engineering works founded by Alexander Keiller and William Gibson later became the Götaverken shipyard, now the only survivor among the city's big yards.

CONTINUED ON NEXT PAGE



### The tale of a rolling revolution.

Legend has it that in the days of the industrial revolution the only way of getting spinning machinery out of Scotland to western Sweden was to smuggle it out with the whisky. If true, this illicit trading was a stroke of luck for us all. It kept a Gothenburg textile industry alive and flourishing until powered machinery came of age and showed up the shortcomings of engineering and rudimentary bearings.

This in turn frustrated a young textile engineer into devising a bearing that would keep spinning frames working most of the time instead of only part of the time. And as machine shafts never seemed to be in line with bearing housings, he also invented a bearing that would line itself up with the shafts. Which is how he started SKF. Since then we've invented or developed virtually every kind of rolling bearing and a few other kinds as well.

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Bringing? No, fact. As a result we supply some 20 per cent of the world market. With miniatures weighing three hundredths of a gramme to bearings 500 million times heavier. In applications from spinning spindles to NASA's space shuttle. All of which is a long way from the revolution in rolling bearing technology we started 75 years ago. And even longer from illicit trading with the Scots.

We ease the friction of mechanical movement.





GOTHENBURG—WESTERN SWEDEN II

Trading houses open new markets

"WE MAKE NOTHING, we sell everything," is how managing director Anders Hedberg describes the activities of his company, Elof Hansson. Its trading houses are a distinguishing characteristic of Gothenburg and witness to the city's long tradition as the shipping centre for Sweden and the Nordic area.

There is a particularly large accumulation of traders in Gothenburg. It is the home of two of the country's biggest houses, while other Swedish companies find it necessary to operate there in strength. The traders' role in providing the commercial link between the producer and the consumer or end-user makes them a significant asset at a time when West Swedish business is looking for new export products and outlets.

Effective

The Gothenburg trading houses' tradition is to work globally rather than to specialise in markets. They are particularly effective in areas beyond Sweden's heavy markets in Western Europe, as well as established in the Far East and Latin America, and have been building up in the Middle East. This again lends their activities extra significance when so many Swedish manufacturers are looking for new markets.

A large part of their business volume is in pulp, paper and other forest products and their traditional role has been to cover the more distant, less concentrated markets where it does not pay the mills to establish their own organisations.

On the whole, too, the Gothenburg traders stick to their last. Unlike others who have started as merchants they have not bought plantations, established production units abroad or run their own shipping lines. The result is, as Mr Hedberg again remarks in Elof Hansson's case, that they have

very few assets on which to generate profit.

Mr Arne Ahlström, managing director of Ekman, the other big Gothenburg house, makes a similar point when he stresses that investment in "creative people" is the essence. A trading house's flexibility and ability to open new connections relies on the human element, he says.

Ekman dates back to 1802 and traded initially in herring. The West Coast herring disappeared in 1803 but Ekman struck lucky when Napoleon tried to ruin Britain by closing Europe's harbours to its trade. Sweden was for a time the only country able to handle English exports and imports with the Continent and the company experienced golden times.

For most of the 19th century Ekman's main business was in iron, with England initially as the main market but eventually the company sold iron to a number of countries. When pulp-making became a major Swedish industry early this century pulp quickly became Ekman's biggest commodity. It now has a large timber trade as well.

Since 1965 Ekman has been owned by the Säfveån investment company. It remains primarily a trading house with more than 80 per cent of its staff outside Sweden but it has developed a small industrial operation.

Its most important markets are North America and the Far East. Of some 670 employees 116 were in Hong Kong and 108 in Thailand in 1980. Total turnover in that year was SKr 2.8bn (\$456m) of which SKr 1.25bn was generated by agency sales, and Ekman turned in pre-tax earnings of SKr 16m.

Elof Hansson is still a family concern and does not disclose its earnings but Mr Hedberg remarked that he was "a net lender to the banking system" and the company is understood to make good profits. Its turn-

over last year was about SKr 3.5bn.

The company was founded in 1897 by Elof Hansson, a farmer's son working as a clerk in a sugar company office in Hamburg. He started trading in pulp but moved his business to Gothenburg at the outbreak of the 1914-18 world war. His youngest son, Mr Bo-Elof Hansson, now controls the company.

Pulp and other forest products still contribute half its business. The rest "covers the lot" in Mr Hedberg's phrase, embracing imports of medical gauze from China, textiles, venetian blind materials (for Britain) and consumer goods and exports of heavy pulp and paper making machines.

Only about a fifth of turnover comes from imports and the 75-80 per cent of Elof Hansson's sales outside Sweden includes a growing proportion of trade between two foreign countries. It handles, for instance, pulp and paper from the U.S., Latin America and Australia. Its largest subsidiaries are in New York and Sao Paulo.

In the early 1970s several Swedish pulp and paper companies tried to organise their own worldwide sales. They now appear to have changed their minds. "The marginal markets for our customers are best markets. We can concentrate on the tricky markets where you need the language and local expertise," Mr Hed-

berg explains—and it turns out cheaper for the producers. Elof Hansson has a particularly good reputation in China. It recently organised a 10-day pulp and paper symposium at Guangzhou, Canton, for about 100 Chinese specialists. It also does considerable business in Eastern Europe and tries to cover every conceivable market in the world.

Recently, it has been trying to develop sales of "commercial packages" which can be either complete production lines or the organisation from design to installation of interiors for hotels, restaurants, offices and banks. It has delivered such packages to girls' schools in Saudi Arabia and a Kuwaiti hotel.

Profile: Ake Norling, Governor of Gothenburg and Bohus

Knowing how to compete



Ake Norling: outspoken about crisis

the offshore business by ordering a larger one from them.

Industrial operations in Gothenburg were too tightly integrated with the automobile plants and the shipyards in the past, Mr Norling explains. Volvo alone provides 20,000 jobs. It had done well in the last couple of years but, if its foreign sales faltered, it could be disastrous for the county. The Governor remarks that he already has 14,000 people without jobs.

The city authorities had put a lot of work and money into helping companies find new ideas and in backing new products but this had not affected the employment situation, greatly. The answer, Mr Norling suggested, was to stimulate small industry and to bring new types of production into the area.

The Governor had no doubt of Gothenburg's future as a transport centre. The port had developed sophisticated freight-handling methods, trouble with the unions was being overcome and communications by road and rail from the port were good.

Mr Norling is also chairman of the local Tourist Board. He deplored the lack of visitors from Britain. German and Dutch visitors had discovered the pleasures of the island belt, so why did not more British think of renting a small cottage along the coast? They would find better holiday facilities than in the UK and prices were now cheaper, he said.

"WE CANNOT compete with Ireland and Southern Europe in making simple things in big quantities but we have the right technical background for product development and can offer a good market for advanced technical equipment. We have excellent transport facilities and trading houses which can help exporters to reach markets more easily than from anywhere else in the Nordic area."

That is how Mr Ake Norling, Governor of Gothenburg and Bohus County, describes the advantages of doing business in West Sweden. A Moderate (Conservative) politician, he was Mayor of Gothenburg before being appointed to his present job.

He is outspoken about Gothenburg's economic crisis. Industrial expansion really stopped in the mid-1960s, he says, although it was not observed then. Wage costs grew faster in the city than in other parts of Sweden and he remarks bitterly, companies were induced to move out of the area by the government's regional development policy.

Now, however, Gothenburg is seeing a revival of the spirit of enterprise, the Governor believes. He cites a recent visit to an offshore trade fair in Singapore, where 16 Swedish companies exhibited, 10 of them from Gothenburg.

He quotes with admiration the initiative of two shipping men. Mr Sten Olsson, owner of

the Stena shipping line, ordered four offshore supply ships at cheap prices from the trouble-stricken Oresund Yard in South Sweden and is now doing good business with them in foreign waters.

Mr Christer Ericsson, a ship's officer who came ashore and founded the Consafe company, saw before anyone else the opportunities for offshore accommodation platforms. He ordered his first from a city repair yard and then gave the Göteborger its "kick off" into

Struggle to hold jobs

CONTINUED FROM PREVIOUS PAGE

Gothenburg, too, is said to have retained more blue-collar attitudes within its labour force in contrast to the white-collar growth in other Swedish population centres. It has two teams in the elite football division and matches in Gothenburg usually attract larger crowds.

The preservation of blue-collar traditions may derive from the prominence of the engineering factories and the large number of Finnish and Yugoslav workers within the area. Many graduates from the university move outside the region to find work.

In other ways West Sweden conforms fairly closely to the national picture. In Gothenburg the Social Democrats are by far the biggest party but the gap between the socialist and non-socialist camps is very small and power in the local authority switched in both 1976 and 1979.

Currently there is a slight non-socialist majority. Although conforming again to the national pattern, the Moderates (Conservatives) are now the biggest on the non-socialist side and there is a strong Liberal tradition in Gothenburg. Mr Pehr Gyllenhammar, Volvo's managing director, has just been elected to the Liberal Party's national executive.

Greater Gothenburg has a growing population approaching 700,000. Depending on which definition you choose, West Sweden as a whole contains between 1.4m and 1.9m people or between 17 and 23 per cent of Sweden's total population.

Difference

Usually West Sweden is taken to include the whole or parts of five counties. Inland it extends to the borders of Lakes Vänern and Vättern, incorporating forests to the north, farming to the east and the textile and engineering town of Borås.

Geographically and historically the region exhibits one significant difference from the rest of Sweden: it faces the North Sea. Its trade, history and horizons have been to the west while other Swedes have tended to focus on the continent and the East. Among foreigners the Gothenburgers have been closest to the British. It was the Dutch, however, who were there at the founding of the city. In the 1620s they

helped build a harbour at a point where the Gota River flows into the Kattegat (the arm of the sea between Sweden and Denmark linking the North Sea with the Baltic). They were given trading rights in return for financing the building of the new port.

The Danes controlled the provinces immediately to the north and south. To defend the port, the Dutch built ramparts and moats which still determine the shape of the city centre.

From the 18th century onwards, however, the major foreign influence came from the British, above all from the Scots, who settled on the West coast, many of them as merchants.

The west coast links with Britain were consolidated during the Napoleonic Wars at the beginning of the 19th century, when the only gap in the French blockade against British trade with the continent.

Nowadays the British connection is less prominent. The last of the Swedish Lloyd ships, which operated the passenger line between Tilbury and Gothenburg for well over a century and whose arrivals in the inner harbour punctuated city life, docked in 1977. Mr Ake Norling, the governor of Gothenburg and Bohus County, asks regretfully why there are not more British visitors.

Perhaps there will be, if the city's engineers and shipowners are successful in their drive to break into the offshore business. But Mr Norling was thinking of the tourist trade: more Germans and Dutch than British now savour the pleasure that a holiday in West Sweden can offer.

market for Volvo cars and trucks but the company now sells more cars in the U.S. and it has just bought itself a share of the U.S. truck market.

West Sweden has to find new markets for its industrial products and Gothenburg has to defend its standing as the principal port for the Nordic area. The competition is intense in both fields.

Even within the region Uddevalla to the north and Halmstad to the south are chipping away at the primacy of Gothenburg port while still further south, Helsingborg, is building more harbour facilities. Greater Gothenburg is being spurred by the need to reap a pay-off on the heavy investment in its new Skandia harbour and the airport at Landvetter.

Ventures

Industrially, the region needs new ventures and enterprises. A few large companies provide 45 per cent of the industrial jobs in the Greater Gothenburg area. Their strategies are international and they cannot be expected to expand their manufacturing bases in West Sweden.

More money is going into the petrochemical centre at Stenungsund. Of the three refineries on the coast, one, the Stora Enskens refinery at Lysekil, has already decided to invest in a new cracker to boost output of the more valuable light fractions. British Petroleum is considering a similar investment in its refinery.

The refinery investments will give work to construction companies for a time but they represent adjustments to market demand rather than expansions. In the longer term there may be room for an expansion of petrochemical output but in the present state of the West European petrochemicals business that can only be problematical.

It is always difficult to spot young companies with the right products and growth potential. What can be said is that both in and outside Gothenburg the climate has turned into a more favourable one for business enterprise. That is no mean achievement when one remembers the cloud hanging over West Sweden only four years ago.

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Hand P&I, War

Sweden's unknown inventor

Swedes have long been internationally recognized for their inventiveness, particularly at the beginning of this century. Immediately comes to mind the ball-bearing by Sven Wingquist of SKF and the automatic lighthouse by Gustaf Dahlén of AGA. But there is another Swede who by his invention has made an equal and perhaps a greater contribution to modern society than the other two mentioned names, and yet he is unknown. This is Oscar Kjellberg, inventor of the coated welding electrode back in 1904 and founder of a company, ESAB, which today is a welding and gas-cutting manufacturer with international ramifications. Oscar Kjellberg's invention, the coated electrode, is still the one used eight decades later, to handweld the common range of metals together. With a little thought there is not much in the world which is not welded into a part, unit, construction or machine today.

Oscar Kjellberg's initials OK are used as the brand name of the ESAB Group's handwelding electrodes sold worldwide. ESAB are equally known as suppliers of welding machines which cover from the smallest transformers through robot welding equipment to welding plants and turnkey electrode factories.



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GOTHENBURG—WESTERN SWEDEN III

Industry turning the corner despite rise in jobless

WEST SWEDEN has been one of the country's most vigorous and productive industrial regions. A declining textile and clothing industry, centred on the town of Borås, constitutes a major problem.

The biggest petrochemical complex in the North is situated in West Sweden and has been an industrial growth point. Opinions vary about its future.

The region contains no "silicon valley" but Ericsson, the telecommunications group, has a factory there and Saab-Scania is developing its space and marine electronic operations in the Gothenburg area.

Both production and employment lean heavily on a few big companies, making what Mr Lennart Jansson, managing director of SKF, the roller bearings group, his "classical" or "mature" products facing intensive competition on international markets.

The region contains a considerable forest products industry, although its importance is smaller than in some other regions. A declining textile and clothing industry, centred on the town of Borås, constitutes a major problem.

The employment figures tell a similar story. Employment climbed faster in Greater Gothenburg up to 1975 than in the country as a whole, but between that year and 1980 the private sector lost about 15,000 jobs, of which 7,000 belonged to the shipyards.

Decision makers Some of the biggest companies, Volvo, SKF and ESAB, have shown over the past two years the resilience needed to cope with and consolidate their position on receding markets.

The banks have undertaken to examine their corporate customers and to carry out a preliminary diagnosis of potential exports. An export programme is then worked out, bringing in the resources of the organisations backing the project and, if need be, calling on the big companies and consultants for help.

Offshore orders generating confidence for shipbuilders

SHIPBUILDING WAS the epicentre of the economic shock that West Sweden strained in the mid-1970s. The yards, geared to building massive tankers and handling enormous quantities of steel, stuttered to a halt when the market for tankers collapsed following the 1973 oil price increases.

In Gothenburg about 7,000 jobs were lost in the shipyards between 1976 and 1980 in spite of large injections of public funds to staunch the losses.

Change The restructuring plan adopted in 1980 should put the group at breakeven point by the end of 1984. Change so far has been quicker than expected but has cost more, Mr Wessberg explains.

Swedyard's design team, Mr Eriksson, for the offshore platform, founder of the Consafe company, he was the first to detect the market for offshore accommodation platforms and to place an order with the small Cityvarv.

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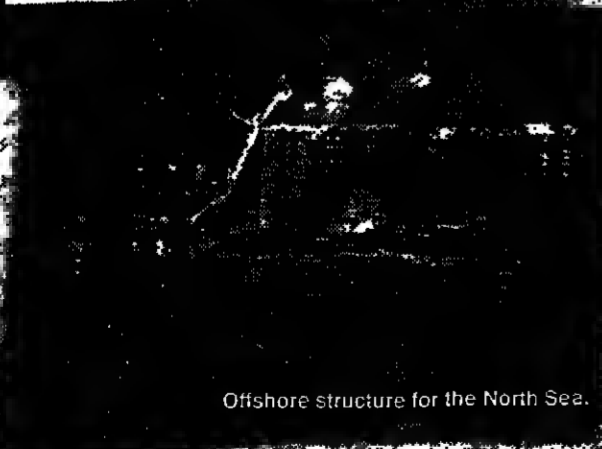
Swedyard's design team, Mr Eriksson, for the offshore platform, founder of the Consafe company, he was the first to detect the market for offshore accommodation platforms and to place an order with the small Cityvarv.

Gothenburg and Western Sweden has been a Skanska stronghold for many years. And our design and construction activities in this region comprise every kind of housebuilding, road construction and civil-engineering project.

Landvetter International Airport, Euroway 6 and the Tjorn bridge are other examples of recent Skanska engagements in the Gothenburg region.



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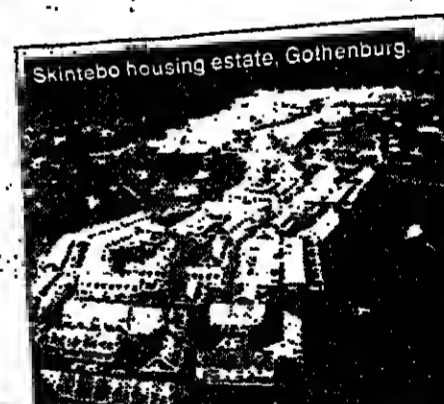
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Svenska Handelsbanken, Gothenburg.



The Tjorn bridge, Gothenburg.



Skintabo housing estate, Gothenburg.



Landvetter International Airport, Gothenburg.



Euroway 6, north of Gothenburg.

jobs



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# GOTHENBURG—WESTERN SWEDEN IV

Companies are having to cope with falling demand in European and American markets. The search is on for new opportunities.

MR Lennart Johansson, SKF's managing director and the man who has piloted the multinational bearings group through a far-reaching reorganisation in the last decade, exerts a calming influence in the discussion of West Sweden's "economic crisis."

His argument is that recent industrial development within the region and in Sweden as a whole must be put into historical perspective and that West Sweden, like the rest of Europe, must adjust to a lower growth rate.

Industrial growth in Sweden would have slowed down in the 1970s without the impact of the oil price increases, even though they gave the country "a hell of a shock," Mr Johansson believes. By the end of the 1960s wage levels in Sweden and Europe had risen close to the American, the technological gap to the U.S. had been narrowed and growth was already levelling out.

The 6 to 8 per cent annual growth rates achieved by Sweden in the 1950s and 1960s were exceptional, Mr Johansson argues. In the first 40 years of the century, when living standards gradually improved, the annual rate was 2 per cent or less.

In West Sweden the process of adapting to a more moderate rate of increase has already started, in Mr Johansson's view. Most companies had "adjusted to the market place and to economic circumstances." It had become clear to people that the welfare state built up in the 1950s and 1960s "takes its tribute and we no longer have the money to go on expanding."

Competition was tough and Gothenburg had problems, but "Gothenburgers are not impossible people. When things go wrong, we react and get going."

The city could not expect much growth in industrial employment because the existing companies had to consolidate,



Lennart Johansson: calming influence

## VOLVO Raising output and sales

BY SHEER SIZE Volvo is a factor of enormous weight in the industrial life of West Sweden and its performance last year contributed powerfully to the revival of confidence and buoyancy in the region. There were two crucial developments: Volvo turned round its car operation from loss to profit and by taking over the Beijerinvest group at home and the White Motor Corporation in the U.S. acquired a new image of going on the offensive.

Volvo makes cars, trucks, aero engines and diesel motors in West Sweden. It is by far the biggest employer and its imports and exports form a vital part of the flow of trade through Gothenburg and the region. Last year it posted a pre-tax profit of SKr 1,480 (\$243m) on a consolidated turnover of SKr 46bn. It then shook the Swedish stock market by announcing a SKr 588m rights issue.

The selling point about Volvo cars' 1981 result is that it succeeded in raising both output



Car assembly at Saab. The group's turbo-engined vehicles have proved a success in foreign markets

and sales in the teeth of falling demand in its main European and American markets. The success was not, fortuitous. Volvo appears to have reshaped its production apparatus to give greater productivity at the right moment. The announcement of its new, up-market model, the 760, last month was another assertion of confidence.

The truck business, which has for years contributed the bulk of group profits, was affected by depressed world demand last year but still generated earnings equivalent to about 10 per cent of sales. By buying the

assets of White Motor's truck business in the U.S., Volvo is gambling on its own managerial competence but this is the kind of risk to be expected of a confident enterprise.

The merger with Beijerinvest and the appointment of its chief, Mr Anders Wall, as Volvo chairman to work in tandem with the managing director, Mr Pehr Gyllenhammar, was swallowed tentatively at first. Now the opportunities opened up by Mr Wall's financial expertise and by Beijerinvest's diversified trading, industrial and foodstuffs production are more fully appreciated.

## SAAB-SCANIA Cars a sales success

SAAB-SCANIA, the automobile and aerospace group, is represented in West Sweden at Trollhättan where it develops and produces the Saab 900 and turbo-engined cars which have proved to be both a technical and sales success in the past two years.

It also has a base in West Sweden for the production of electronic equipment for space and marine applications. It is one of the potential growth points of the region's young electronics industry. Saab provided the on-board computer which acts as the controlling brain in the European Space Agency's Ariane rocket.

It is also developing and producing Sweden's first satellite, a scientific research instrument known as Viking which is scheduled to be launched by an Ariane rocket in 1982 together with a French earth observation satellite.

In marine electronics Saab manufactures a monitoring system for ships' machinery and a level gauge system for tankers which is said to be the only one on the market based on micro-wave techniques. Exports have been going so well that the company is expanding its resources.

## ESAB Striking comeback story

ESAB, THE welding equipment manufacturer, provides a striking comeback story. After three years in 1977-79 in which it lost SKr 50m, stopped paying a dividend and appeared to be on the verge of collapse, it turned its business round so successfully that last year it reported a pre-tax profit of SKr 114m (\$19.8m) and boosted sales by 22 per cent to just under SKr 2bn.

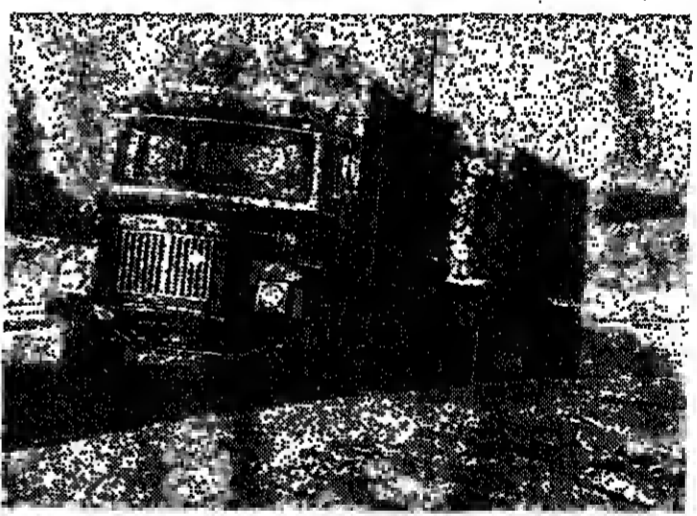
The company's weakness had been its dependence on orders from the falling Swedish and European shipyards which accounted for more than a quarter of its sales. That proportion is now down to around 5 per cent.

Several factors combined to get ESAB back to full trim. The company cut staff from more than 6,000 to 4,800, reconstructed its shaky finances, improved capital turnover and pared down stocks. But of basic importance has been its product development and ability to penetrate new markets, both geographically and in product range.

The energy market is fast replacing shipbuilding among ESAB's customers. It has developed robot welders and a wide range of automated welding equipment, many items of which are designed to meet exacting technical requirements.

ESAB claims to be the oldest in its line, having been started by the Swede, Oscar Kjellberg, who developed the coated welding electrode in 1904. The supply of welding materials, electrodes, wires and fluxes is still a major part of ESAB's business.

Last year the company showed a new aggressive spirit, taking over companies in several countries, in order to buy market shares. The word is that the management is not yet satisfied, so some more takeovers are expected.



Taking logs to the mill. West Sweden's forests produce timber for export, furniture and other goods

## PAPYRUS Profitable operation

WEST SWEDEN has a sizeable forest products industry rearing from timber exports to a rather larger dominance of consumer products than in most other regions. The furniture business is well represented in a scattering of small companies which are now suffering from the slump in building activity.

The most prominent company in the field is Papyrus which holds a majority share in Hytte Bruk, one of Europe's biggest newspaper mills with an annual capacity of 480,000 tonnes. It has been a very profitable operation in recent years.

At its headquarters in Mölndal just outside Gothen-

burg, Papyrus produces fine papers and cardboard. However, a large part of the group's SKr 2.5bn (\$435m) turnover is generated outside the region in North Sweden.

Papyrus is an enigmatic company. It is a "Wallenberg" company and has for some time been regarded as a likely instrument for its chairman, Dr Marcus Wallenberg, to use in re-organising and consolidating the group's forest product companies. Speculation gathered pace last month when Papyrus turned in earnings of SKr 191m for 1981 and raised its dividend by SKr 2 for the second year running to SKr 10 a share.

## MÖLNLYCKE Looking to joint ventures

MÖLNLYCKE, the disposable hygienic and tissue products concern which is also based in Mölndal, is the other dominant company in West Sweden depending on the forests for its raw materials. It has been integrated with SCA, Sweden's biggest forest products group, since 1975.

Its turnover amounts to about SKr 2bn and it has made a regularly increasing profit contribution to SCA since it was acquired. Two-thirds of its sales are made outside Sweden and it looks to joint ventures abroad, for much of its future growth.

## SKF Volume output pays off

SKF, WHICH celebrates its 75th anniversary this month, represents a classic Swedish case history of the engineering innovation which gave birth to a multinational enterprise. It now controls about a fifth of the Western world's bearings market and over the past few years has consolidated its position against strong competition from Japanese manufacturers.

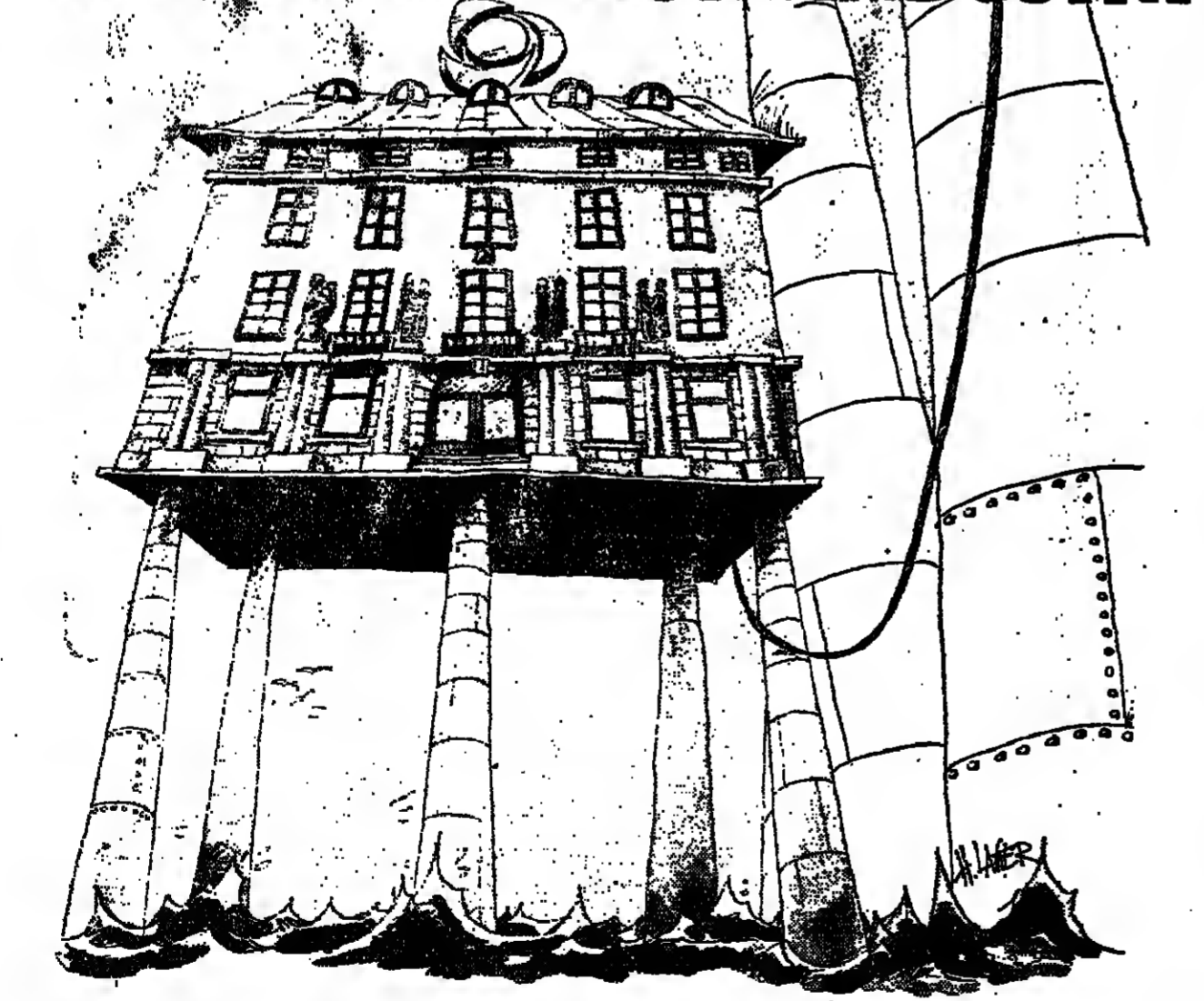
To win this battle SKF has re-organised its whole production system, dividing output among its European factories so that each concentrates on given types of bearings and can reap the advantages of volume output.

The bulk of SKF's production thus takes place outside its home city. The number working for the group in Gothenburg has declined from 5,400 in 1971 to 4,200 last year. In fact, there was a net increase in SKF jobs in the Gothenburg area last year but this is not seen as marking a reversal of the trend.

Nevertheless the company remains one of the biggest employers in West Sweden and the health of the group is important for the region's continuing industrial vitality. SKF had been steadily improving its profit performance as its new organisation got into gear but last year earnings dipped by almost SKr 150m to SKr 805m (\$140m) on worldwide sales of SKr 13.6bn.

The decline was due largely to the problems of special steel manufacturing in Sweden. The bearings business, which accounts for close to 70 per cent of turnover, boosted its profits again, which can be taken as a sign of strength.

# THE BANK BEHIND THE SWEDISH OFFSHORE INDUSTRY



The offshore market has become one of the most expansive spheres of activity for the Swedish export industry. But to succeed in a tough international competition a company needs the support of a strong banking partner. A bank which assists its client on the spot and knows what is really happening in each market.

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# Petrochemical groups invest despite losses

SWEDEN'S PETROCHEMICAL complex lies at Stenungsund just north of Gothenburg, where it has the advantage of a deep-water harbour and a central position for transport within the Nordic area.

It has been built up over the past two decades, comprises five companies and has been one of the most important industrial growth points in West Sweden. Last year, alas, all five companies at Stenungsund ran at a loss and the outlook for further growth is a much-debated issue.

Stenungsund's setback in 1981 reflects the general depression of the European petrochemical market, and the Swedish companies' prospects will be influenced by the same parameters of over-capacity, slower market growth and competition from new Middle East producers as affect other European petrochemical manufacturers.

However, some advantages can be postulated for Stenungsund. Its central location for the Nordic market remains an asset. About 60 per cent of its products are now being exported and as an export centre it shares the logistic advantages of Gothenburg port.

It has a fairly modern infrastructure where the basic investment has been made and which allows for expansion. It can perhaps exploit its proximity to North Sea feedstocks.

Two of the companies are showing faith by going ahead with fairly large investments. They are:

Esso Chemicals, whose cracker with a capacity of some 325,000 tonnes of ethylene a year is the heart of the complex. It has started a programme of technological development at a reported cost of SKr 250m (\$42m) which managing director Urban Jacobsson says could go even higher.

The two stages already decided entail computerising the cracker and adapting it to use propane as feedstock as well as naphtha. They should give considerable energy saving effects.

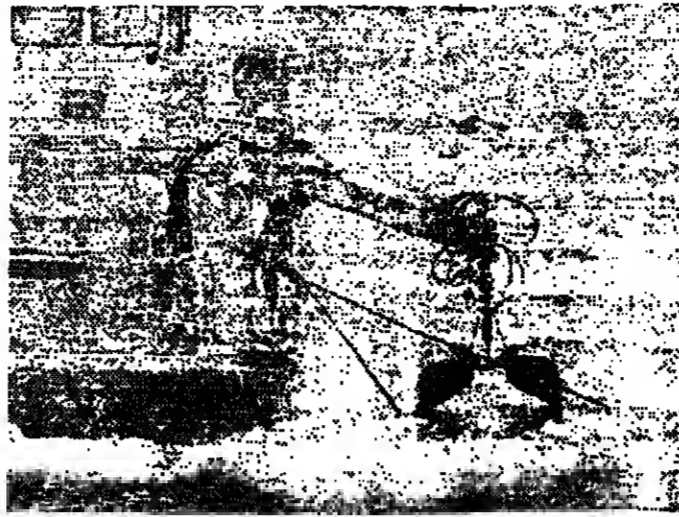
"The programme is intended to bring us in line with the best cracker anywhere" and to give it a cost structure comparable with that of its nearest competitors in Western Europe, Mr Jacobsson says.

For the time being it is wiser to spend on cost saving, he points out, but the feedstock flexibility being built into the cracker will not limit chances

of expanding later. His view is that the Stenungsund complex has suffered a severe shake-up but there is light at the end of the tunnel, if the opportunities can be seized.

Unifos is the other company with a continuing investment programme. It is putting SKr 340m into a new plant to make 150,000 tonnes a year of low-density polyethylene. It will be the first in Europe to use the Unipol process developed by Udon Carbide which owns Unifos jointly with Sweden's KemalNobel.

Mr Olle Blomqvist, the managing director, is convinced that Unifos is "buying into something new, making the same products but with new properties which will give us a competitive edge." But simply, it will be able to make goods such as plastic bags and pallet wraps in thinner material but with the same strength and



Though not intensely industrialised by European standards, Sweden occasionally has to cope with the same problems, such as this oil spill off the Baltic coast

performance as the older type. Unifos is a key unit in the Stenungsund complex, taking a large part of the ethylene from the cracker. Last year's loss was the first since its start and it has been a highly profitable operation over the past 10 years.

KemalNord, part of the Kemal Nobel group, makes PVC at

Stenungsund and has been badly hit by the slump in building operations within Sweden. It has been cutting back PVC output although the major cuts appear to have been made at another plant.

Of the two state-owned companies in Stenungsund Berox produces butyraldehyde, octanol and plasticisers. It has very modern equipment which came into full operation only two years ago but it carries a heavy capital burden from its SKr730m investment. The company is up for sale.

Berol Kemt makes organic chemicals and has been steadily moving away from standard products into specialties such as additives for the pulp, paint, cement and plaster branch. It has been thoroughly reorganised over the last four years, has trimmed staff and has been trying to break into foreign markets.

# Hub of business ideas

THE Product Development Centre at Chalmers Technical University in Gothenburg, has been run by Mr Bert Almquist for four years. He describes it as a "trial balloon" but it has already become a very active catalyst in the life of West Sweden's small companies.

Its purpose is to promote new business ideas by harnessing the research and development resources of Chalmers and those existing in small concerns. The centre offers, in Mr Almquist's words, "entrepreneurial capacity in identifying opportunities and co-ordinating projects."

His staff of 10 have each between 10 and 35 years' experience of product development, design or marketing in industry. They have a wide network of contacts among professional inventors, researchers, marketing experts, workshops able to build prototypes, and bankers who can be called on for temporary assignments.

Among products developed at the Centre now being made commercially are a new type of ventilator which can be used for small boat cabins, caravans and trucks, cabins. A furnace using waste wood to heat air for drying wheat is being manufactured at a rate of 100 a year.

After four years' experience Mr Almquist underlines the importance of using marketing men to identify product needs. He lists six typical cases in which his staff have been able to provide crucial analysis of a problem or project management for small companies seeking new products.

The Centre is funded by public money but operates as a commercial business, charging for its services and issuing an annual profit and loss account and balance sheet, in order to win the respect of its customers. Its success, in Mr Almquist's view, must be

measured in purely commercial terms and "whether customers are willing to pay, us and increase our market."

The Centre started with SKr 3.8m (£382,000) in equity, of which half was supplied by the National Technical Development Board and half by Gothenburg and the five counties in West Sweden. Its income has risen from less than SKr 200,000 in 1978 to SKr 1.7m last year. Its annual loss has been cut from SKr 400,000 to SKr 94,000 and it expects to break even this year.

It is handling about 200 "cases" a year, most of them for very small businesses. There is still an element of public service, because about 80 per cent of its income comes from 20 per cent of its customers and, if it were strictly businesslike, it would drop the small jobs. But these are precisely the ones that regular consultants could not afford to handle.

## Expansion in pharmaceuticals industry

WEST SWEDEN makes an important contribution to the country's fast expanding pharmaceutical industry through Hässele, a subsidiary of Astra, Sweden's biggest pharmaceutical group. It has been one of the most expansive companies in the region, raising its sales from SKr 100m in 1972 in well

over SKr 1bn today. Hässele developed through co-operation with young researchers in the medical faculty of Gothenburg University in the 1950s. It is now one of the world's leading companies in the field of heart medicines with laboratories at Mölndal, just outside Gothen-

burg. Its first success came with Aprin a so-called beta-blocking drug which blocks certain nerve endings in the heart and shields it from overstrain. In the mid-1970s Hässele produced another beta-blocking drug, Soloken, which has become one of Astra's most important exports.

# Textiles in sorry plight

EMPLOYMENT IN Sweden's textile and clothing factories sank from 47,000 to 33,000 in the five years to the end of 1980. That is one measure of the industry's plight. In the first nine months of last year domestic textile production dropped by 10 per cent and clothing output by 8 per cent. Imports covered 78 per cent of textile consumption and 83 per cent of clothes.

The problem is a national one and the solution, if any, must come from Stockholm and the national authorities. Swedish textile and clothing companies have modern machinery partly financed by the Economic Defence Board, and maintain high quality standards but, in Mr Sundblad's words: "We must have free trade but not tied to the solidarity wage policy."

The industry has formed investment companies — Borås invest is one — operating share portfolios and investing in other businesses, usually by buying existing companies. Almedahl now gets about a third of its sales from light engineering companies which are expanding faster than its textile business. With government support it maintains "minimum profitability" on its textiles.

These figures are particularly relevant for West Sweden because the town of Borås and its surrounding districts is the capital of the Swedish textile industry. Half the jobs in the industry are found in and around Borås but current employment there is probably no more than a third of what it was in the industry's heyday.

The district is "not quite poverty stricken" but the psychological climate is dour and Borås can become a crisis area, if official policy towards the industry is not changed, says Mr Göran Sundblad, managing director of Almedahl, the country's biggest textile group.

It has a profitable weaving business making cloth for sportswear, in which it has a good export market. A few other companies in the region have a profitable, usually export-orientated line of business.

Local authorities are active in looking for other kinds of industry. They offer cheap land and other financial incentives, but so far the results have been meagre.

Several private groups in

One such is Oscar Jacobson, a company in Borås making stylish business suits which are sold among other retailers by Austin Reed and Harrods in Britain. Austin Reed takes almost a quarter of its exports which last year accounted for 38 per cent of the total sales of SKr 88m (£8.4m).

# Uddevalla a second industrial centre

UDDEVALLA, the harbour town 100 kms north of Gothenburg, is the gateway to the Fyrstad (Four Towns) district which forms the second-largest industrial centre in West Sweden after Greater Gothenburg. Within the writ of these four local authorities live 145,000 people but they claim to have a common service area covering 250,000.

The three other towns are Trollhättan, Lysekil and Vänersborg. Trollhättan is the heavy engineering centre, with an assembly plant for Saab cars, aero-engine assembly at

Flygmotor, Volvo's subsidiary, and turbine manufacturing by Nohab. Vänersborg has light industry and shares ferro-alloy manufacturing with Trollhättan, while Lysekil, a fishing town, also houses the Scanraff refinery, Sweden's biggest.

Coastal fishing provided for a canner at Uddevalla. The district has both farms and forest land which have been the source of small foodstuffs and furniture industries. But several of these industries are declining or standing still and, as in Gothenburg, reliance on a few big manufacturing concerns has come to be regarded

as a weakness where future employment is concerned. Fyrstad, therefore, is making a big effort to develop new business.

Half of Uddevalla's industrial force of about 6,000 work in shipbuilding, the large majority at the Uddevalla yard which forms part of Swedyard, the state company and the rest at the Mattson family-owned group. These operations are described in the article on shipbuilding.

The harbour handles about 2m tonnes of goods a year. It built a reputation for handling conventional liner freight but

has been expanding its bulk cargo facilities, handling ores for the inland ferro-alloy plants, oil products and kaolin for the paper mills. It is also building out quays capable of receiving roll-on/roll-off and lift-on/lift-off ships.

The exports passing through the harbour are smaller in quantity but of greater value. They consist mainly of paper, timber and engineering products. Uddevalla local authority has ambitions for its harbour, whose handling charges, it claims, are about half those of Gothenburg.

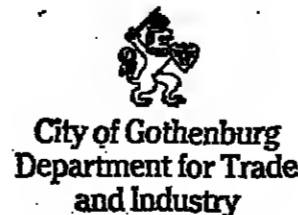
The local authority also

deals with local companies to prepare the ground for new industrial and service companies. ASSI, the state-owned forest products group, has recently opened a new factory to make windows. It provides jobs for about 225 people.

Mr Alf Andersson, the head of Uddevalla's Office of Industry and Commerce, has about ten industrial sites available. The local authority owns more than 20,000 square metres of premises let to small business tenants but will have 6,000 square metres ready for letting by the middle of this year.

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ALLA



# GOTHENBURG—WESTERN SWEDEN VI

## The largest transport centre in the Nordic countries has about 30,000 people now working in allied industrial and trading concerns

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The security standards adopted by Rosengrens are developed to meet the high demands from banks and other financial institutions. Our broad security range includes safes for offices and private consumers, strongroom doors, night safes, safe deposit lockers with mechanical or electronic control locking systems for banks.

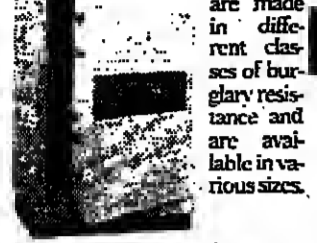
of books, files, drawings etc. The fire safe cabinets are made in six different sizes and provide one or two hours of fire protection.

Strongroom door VTA 300, resisting all known and foreseeable attacks, for the largest strongrooms. Rosengrens also manufactures doors for smaller strongrooms.

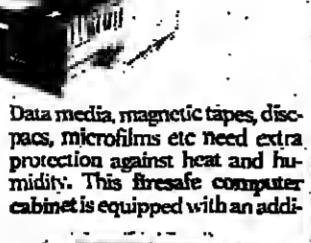
Fire safe filing cabinets for fire safe storage of documents in suspended or standing files. These cabinets are manufactured in three sizes, with two, three or four drawers.

Fire protection class A 120.

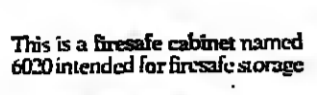
Heavy safes take care of the things that must not disappear or be destroyed. They are made in different classes of burglary resistance and are available in various sizes.



Fire resistant cabinets, filing cabinets and computer cabinets are made to protect items that must not be damaged primarily by fire.



This is a fire safe cabinet named 6020 intended for fire safe storage



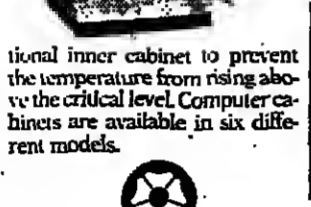
Data media, magnetic tapes, discs, microfilms etc need extra protection against heat and humidity. This fire safe computer cabinet is equipped with an additional inner cabinet to prevent the temperature from rising above the critical level. Computer cabinets are available in six different models.



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GOTHENBURG is the largest transport centre in the Nordic countries. Its geographical situation and the fact that it has the largest port in the area are cardinal factors. The seaborne traffic, which includes a large share of the trans-oceanic trade, is backed up by good motorway connections, direct rail freight links and ferry services. Gothenburg thus serves

eastern Norway and Denmark as well as the most densely industrialised parts of Sweden.

Just outside the city at Landvetter is the Nordic area's most modern airport, with plenty of scope for expanding both freight and passenger traffic.

About 21,000 people in Gothenburg work in transport companies. It is estimated that the figure totals

at least 30,000 if all those in industrial and trading concerns engaged in transport were included.

The city authorities and business community are determined to maintain Gothenburg's primacy in transport and to obtain a proper yield from its investments in modern facilities. Combined efforts are being made to analyse future requirements, develop new transport and warehousing

systems and to train youngsters in school and those at university for jobs in the transport business.

Shippers, haulage companies, industrial concerns, banks and publicly-owned transport organisations set up the West Sweden Transport office (VTS) on a trial basis in 1978, establishing a permanent operation from 1980. VTS aims to co-ordinate research and education in transport matters

with private enterprise and to bring about closer co-operation among transport operators.

The office was instrumental in getting a professorship in industrial logistics established at Chalmers Technical University. It has initiated research into future port structure and into goods and terminal systems. And it has played a part in starting a marine research centre in Gothenburg.



## Shipping community adjusts to changes

GOTHENBURG can still fairly lay claim to being Sweden's shipping capital, but over the last 15 years its directly owned shipping business has dwindled along with the whole Swedish merchant marine. Instead, Gothenburg's shipping has become increasingly enmeshed with international consortia, both in container lines and in the bulk carrier business.

Change has been the order of the day both in the composition of the fleets operated by the Gothenburg companies and in their managements. The turnover in top executives has been fast as the companies adjusted to market demands and the exigencies of Government and trade union policies at home.

They have been tough years. Bröström's, for instance, one of the most prestigious of the Gothenburg companies, has not paid shareholders a dividend for five years. Its merger with Transatlantic, the other major Gothenburg company which it partners in the Atlantic con-

tainer line, has been frequently mooted but not yet consummated.

Shipping engenders strong personalities and one who has increasingly dominated the Gothenburg scene in recent years is Mr Sten Olsson. Last year he succeeded in taking over his only competitor on the Danish routes and his Stena/Sessan line has a virtual monopoly of the ferry routes to Denmark and West Germany. Denmark's DFDS, however, took over the Tor Line ferries to Felixstowe and Amsterdam last year.

The Swedish merchant fleet has shrunk from a total of 12.5m deadweight tons in 1976 to 5.5m deadweight tons at the end of last year. But it remains one of the most modern fleets in the world and the international decline in the influence of Swedish shipping companies is probably less than the figures imply, since they have taken to operating more vessels on charter.

The Gothenburg shipping business really got going in the period between the turn of the century and World War I when owners bought hundreds of second-hand British steamers 12 to 14 years old. The first transoceanic liner service from Gothenburg started in 1904 and a dozen or so were operating by the outbreak of war.

### Third generation

At that time Sweden had just begun its industrialisation, wages were low and its shipping companies were more competitive. Now the third generation of Gothenburg shipowners had had to cope with the highest manning costs in world shipping.

Three crucial developments in the past decade have helped to transform Gothenburg shipping. The first was the 1974 wage negotiations with the seafarers' trade unions, when under the threat of strikes the owners accepted an expensive two-year settlement just as the tanker market had started to slide. In the first year alone their crew costs went up by 34 per cent.

The second was the law preventing Swedish owners transferring their vessels to flags of convenience even temporarily. It was passed just as ships came off charter in 1975 and 1976 when the tanker market had collapsed and vessels had to be sold up. The result was that companies were forced to sell ships in the 1975-79 period at rock-bottom prices.

Some 180 Swedish ships totalling 10m deadweight tons were sold abroad in that period for about SKr 4bn (\$380m). Mr Thorsten Rinman, editor of the Swedish Shipping Gazette published in Gothenburg by the Swedish Shipowners' Associ-

ation, has estimated that owners could have obtained SKr 300m more for their ships had they been able to flag out temporarily and wait until prices improved in 1980.

The third major influence on shipping was the Government's attempt from 1977 onwards to save shipyards by stimulating Swedish shipowners through credit concessions and guarantees to order ships from local yards. The companies which took the chance were badly exposed when interest rates started to climb in 1980.

The collapse of the Johanssoo Group, which operated from the island of Tjörn to the north of Gothenburg, was at least partly due to debts incurred in this way.

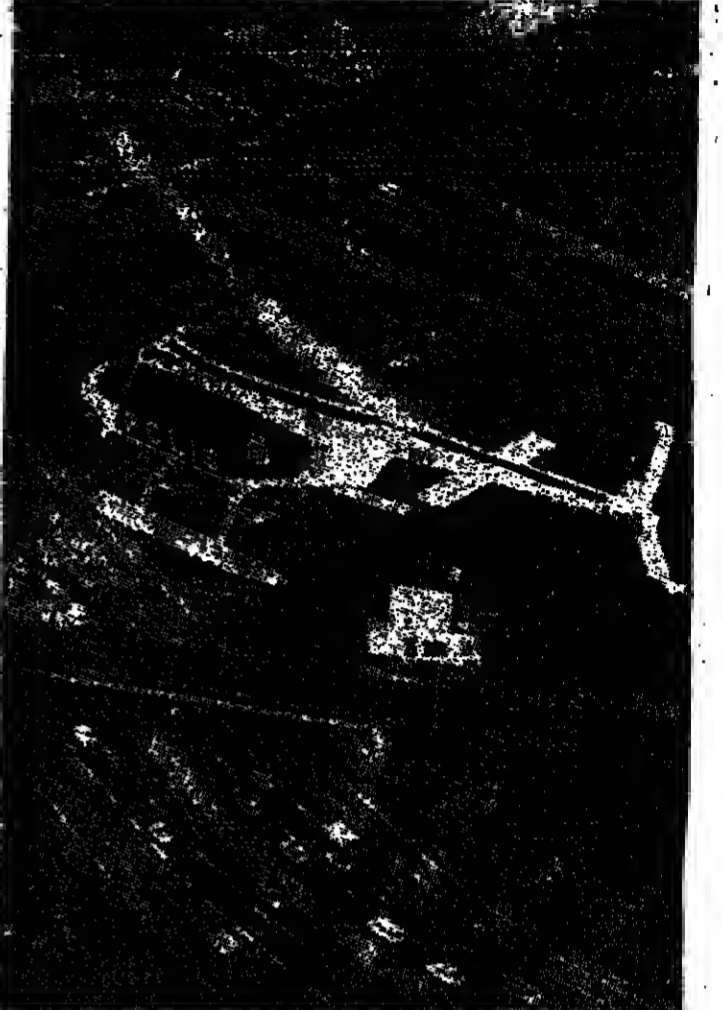
This factor also helped to boost the rush into part-ownership by ships' officers which had also been accepted by shipping companies getting into financial difficulties. Part-ownership has increased on the Gothenburg shipping scene in recent years with ships being owned and run on charter for companies by groups of officers who spend only five or six months a year at their regular jobs.

The shape of Gothenburg shipping is in flux and it is not always easy to discern the ownership pattern. Alongside the part-ownerships the Transocean Consortium lines, which are strategically vital for Swedish trade, continue to operate, the Gothenburg shippers partnering other Swedish and Scandinavian owners and foreign companies.

Atlantic Containers Line links Bröström's and Transatlantic with Wallenius of Stockholm, Generali Maritime of Paris and Cunard of London. Scanstar, operating to the North Pacific brings together the East Asiatic Company of Copenhagen and Britain's Blue Star Line.

Gothenburg shipowners together with Bergen shippers gave birth to the concept of consortia in the bulk carrier business, in which they were joined by British and Hong Kong companies. These consortia differ from the liner trade, which seeks dominance on given routes in order to be able to maintain frequency or service. Bulk carriers are pooled to serve different bulk commodity markets.

The shipping community in Gothenburg has gone through and is still going through a period of severe market adjustment which puts a premium on new business ideas and initiative. Stena Line's move into the offshore field with six technically advanced diving support vessels, now operating in the North Sea, off New Zealand and off Mexico, is one instance of how a bold new idea has paid off.



Above: the road system's connections to West Sweden's ports and new airport help to make the region convenient as an entrepot. Above left: A ro/ro ship in Skandia port. Gothenburg shipowners with Bergen shippers devised the concept of bulk carrier consortia.

## Airport waits for the higher turnover

LANDVETTER AIRPORT is frequently referred to as a white elephant or more politely as an investment in the future. It offers jaded air travellers a new experience. Where else can they hear their footsteps echoing through vast empty arrival and departure halls and check in without queuing?

Yet Landvetter, just outside Gothenburg on the road to Borås, is a magnificent piece of transport planning. Foreign airport officials turn up regularly to study and admire its planning and design, its freight handling bridges, its computerised customs and forwarding facilities—all in one building for swift handling.

West Sweden's new airport was planned in the early 1970s when economic growth projections were still optimistic. It cost SKr 630m (\$109m) to build and came into operation in autumn 1977—in the middle of the recession.

It was designed to handle 4m passengers and more than 100,000 tonnes of freight a year. The current volumes are 1.8m passengers and 20,000 tonnes of freight.

### In deficit

According to the last projections submitted to the Swedish Riksdag (parliament), which assumed that the airport could reach break-even point in the 1987-88 budget year, it should now be handling 2m passengers and 40,000 tonnes of freight. Last year Landvetter ran at a loss around SKr 30m. Income was almost SKr 100m and operating costs about SKr 50m but depreciation and interest charges took SKr 80m.

Mr Stig Andersson, the airport manager, responds tersely when asked to comment on the situation. "We run the airport but we do not run the airlines." He wants more direct routes from Landvetter to the continent and North America.

Direct routes are a standing bone of contention between Landvetter, indeed West Sweden business as a whole, and Scandinavian Airlines System (SAS). Above all, Mr Andersson believes operations would grow faster if passengers and freight from his airport did not have to be routed through Copenhagen's crowded Kastrup airport, which SAS operations are based on.

At present, he complains, companies find it easier to send goods by truck and ferry to the continent and SAS's freight rates are too expensive. On the passenger side, he argues that Landvetter could handle more charter traffic and, with direct flights, could attract more business from Norway (Oslo airport cannot take wide-bodied aircraft) and other parts of Sweden.

The airlines retort that Landvetter's charges are too high, a contention which Mr Andersson says is untrue when measured against the service that is given. Recently, Mr Jan Carlzon, SAS managing director, was subjected to a public grilling by West Sweden businessmen over the direct route issue. He told them he would put on more direct flights when business warranted it.

Back to Mr Andersson: where is the business for Landvetter? More than 20 per cent of Sweden's population lives within a 100-kilometre radius of the airport, an area which also contains one of the highest concentrations of industry in the country.

Far more components and spares could be flown in from Britain, for example, Mr Andersson argues, if SAS would cut its rates and put on more direct flights. The argument goes on and meanwhile a splendid airport is more than half idle. At the same time, Gothenburg's old airport, Torshälla, not far from the new Skandia harbour, is up for sale.

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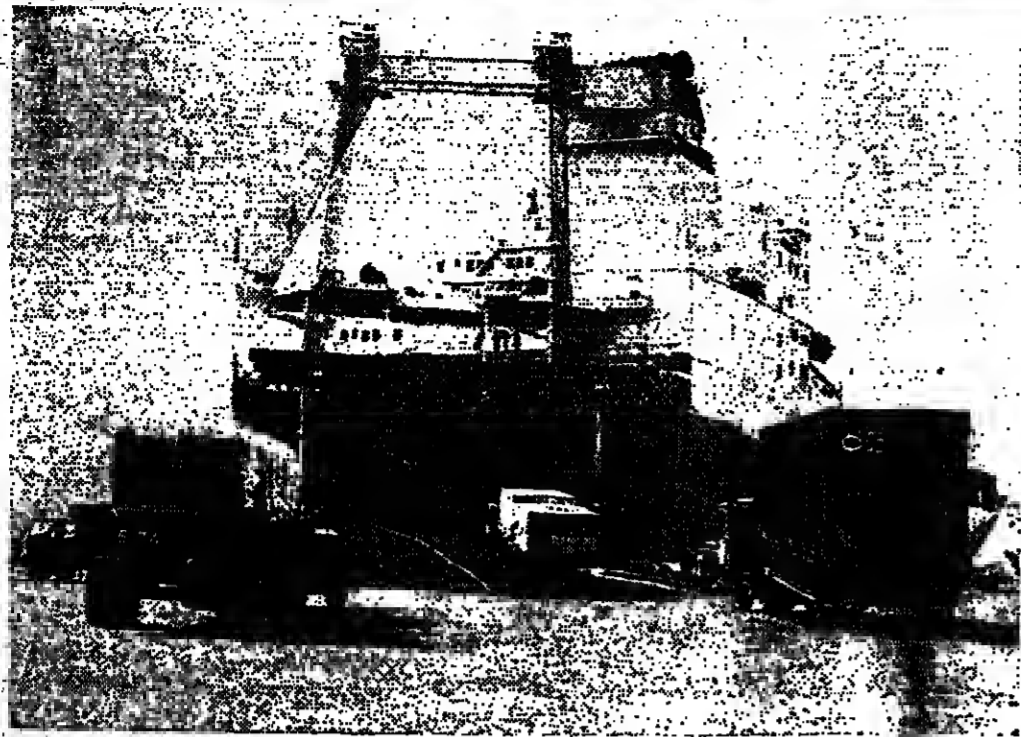
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# GOTHENBURG—WESTERN SWEDEN VII



Trucks drive on to a roll-on/roll-off ship. Gothenburg's new harbour was specially built to handle such traffic

## Centre for storage

MOVING AND storing materials is a Gothenburg speciality. This is not so surprising when it is remembered that the city is a centre for both large-scale manufacturing and goods transport. As a result a number of small local companies have developed specialised equipment for use in automated factories, packing and warehouses.

The City Office for Industry and Commerce has recently helped to organise 11 of these companies into a materials handling group to market their products in common. The idea is that a combined effort is needed to exploit the export potential inherent in the expertise the companies have individually built up. Mr Lembit Murro, of the Office, explains.

Some of the companies produce technologically very advanced equipment which has attracted interest from, in particular, American production managers. ACS, the Volvo subsidiary whose robot carriers were developed for the new car factory at Kalmar, now makes about half its sales abroad.

Atlet manufactures electric trucks for use in warehouses but specialises in offering tailor-made solutions to warehousing and materials handling problems. Digitron, the Swedish subsidiary of the Swiss specialists in industrial automation, was also founded on a contract to supply the internal system for Volvo's Kalmar factory.

The Office for Industry and Commerce has just published a brochure in English, "Handling Profits" with an introduction by Mr Dag Ericsson, Professor of Industrial Logistics at Chalmers Technical University, Gothenburg. It highlights the profit gains companies can achieve by making materials handling, as distinct from materials control, more effective.

The Gothenburg materials handling group is aiming first at companies in the other Nordic countries, in Britain, and the Netherlands. It is also talking to building contractors about joining forces to offer complete functioning warehouses and production plants.

## Gothenburg port highly mechanised

THE PORT of Gothenburg claims to have been the first in Europe to understand the meaning of the container revolution in sea transport in the 1960s and start building a container terminal. Skandia, its new harbour, completed its 13th and last berth last year and now offers a highly-mechanised port operation with sufficient capacity for the next 10 years, according to the port director, Mr Sren Ullman.

The new harbour has cost the city about SKr 450m (\$79m) with between SKr 150m and SKr 200m going into new installations for handling roll-on roll-off vessels in the past three years alone. The inner harbour has been closed apart from the ferry terminals on the south bank and on the north bank's Lindholmen Harbour, which is still used for car exports. Conventional general cargo has been moved to the Free Harbour.

These investments and re-organisation have reinforced the port's ability to compete but have by no means ensured its continuing supremacy in the Nordic area. For one thing the port authority estimates that there is about 40 per cent over capacity at present in Swedish ports and it claims that other local authorities are subsidising their harbour operations.

Second, Gothenburg's strength is that it has retained the custom of the big transoceanic freight lines, Atlantic container Line, ScanDutch, Johnson Scanstar and many small lines have frequent and regular sailings from the port which can claim to have direct connections with practically all parts of the world. About 30 per cent of the traffic is in transit goods

from Norway and Finland. However, for this business Rotterdam and Hamburg, which deal with much larger volumes of freight, set the prices. The container lines can always keep the pressure on the pricing of Gothenburg port services by threatening to stop calling and to use feeder lines from the Continental ports for Nordic freight.

Gothenburg is thus forced to be a very effective port. It has experienced labour troubles and from time to time suggestions that its charges are too high. On pricing, the port and stevedoring company reply that though their handling rates may be higher than those charged by other west coast harbours, the overall package of services offered by Gothenburg works out cheaper.

### Amalgamation

In the beginning of the 1970s about ten stevedoring companies competed in Gothenburg. With the shift of general cargo to the new Skandia harbour a painful and troubled amalgamation into a single company took place, and labour unrest helped to tarnish the port's reputation.

The situation is different now. The stevedoring force has been pared down from about 1,800 to 1,150 but the greatest expectations are based on the merging of the port and stevedoring into one operation under Mr Per Bjurström, the present head of the stevedoring company.

He plans to decentralise stevedoring in Gothenburg into autonomous units operating as profit centres, each with its own staff, machinery and administration. One would deal with

ro/ro ships, another with loading of ordinary vessels, a third with vessels which require both facilities. Mr Bjurström can also be expected to step up the international marketing of port services.

Gothenburg concentrates on oil and general cargo and is not a port for bulk freight. Last year it handled 21m tonnes of goods, of which nearly 14m tonnes were crude oil and refined products. It dealt with 35 per cent of Sweden's oil imports and 4 per cent of general cargo imports. On the export side 16 per cent of the country's general cargo trade (excluding iron ore) passed through Gothenburg and 28 per cent of the oil products from the refineries.

Hidden in these figures is the considerable transit trade for the other Nordic countries. Of the total general cargo handled amounting to 6.3m tonnes, about 1.9m tonnes was carried on the Stena/Sessan line's ferries to Denmark and West Germany.



The port at Halmstad is expanding but has been running at a loss for several years

## Halmstad offers rival service

A WEST COAST port which is challenging the dominance of Gothenburg is that of Halmstad, a town of 75,000 standing at the point where West and South Sweden meet. The local community has invested about SKr 130m (\$23.7m) in its harbour over the last 10 years and set aside an area of 800,000 sq metres for future development, both for new terminals and for industry.

Halmstad relies heavily on two important local customers. It exports some 300,000 tonnes of newsprint a year for Hylte Bruk. And it handles imports of raw materials for Pilkington's float glass factory and exports its finished products.

The port also handles the scrap and cast iron imports for the local iron works, which specialises in reinforced steel construction products, and imports about 600,000 tonnes of mineral oils.

For the last five years Halmstad has been importing cars; it owns silos for the export and import of grain and other farm products and has built a small roll-on/roll-

off terminal. In January it completed a terminal for bulk products, including coal, which is being operated by the Nordic Bulk Company and on which the port authority places great hopes. Given the overcapacity in West Coast ports, is this expansion wise?

Mr Bengt Grennhag, the port's general manager, argues that Halmstad offers a very competitive service and says that handling charges are much cheaper than those of Gothenburg. It owns up-to-date port installations; it has well-established shipbroking and forwarding agents; there are regular cargo lines to West Germany, Britain and Finland; and Halmstad has good road and rail links, he says.

However, the port has been running at loss for several years. Last year the loss was SKr 2.5m on a turnover of SKr 25.5m while the stevedoring company broke even, according to Mr Grennhag. But business is growing: this year Halmstad hopes to handle nearly 2m tonnes of goods, which would mean a doubling in volume since 1971.

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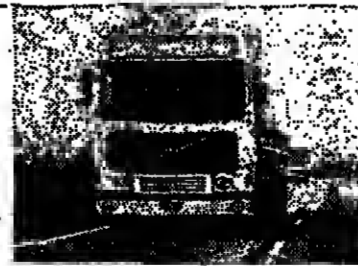
# VOLVO OF GOTHENBURG

Gothenburg is the home town of Volvo. 55 years ago, the company was founded here and the head offices of the group are still here today. Nearly 25,000 people in the region are employed by Volvo. Apart from the better-known Volvo companies described below,

Volvo has companies in Gothenburg which make automated guided vehicle systems, industrial doors, companies which deal with energy exploration, off-shore equipment and services, companies which trade in oil and chemicals plus a range of other activities.



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# Gothenburg—Western Sweden VIII

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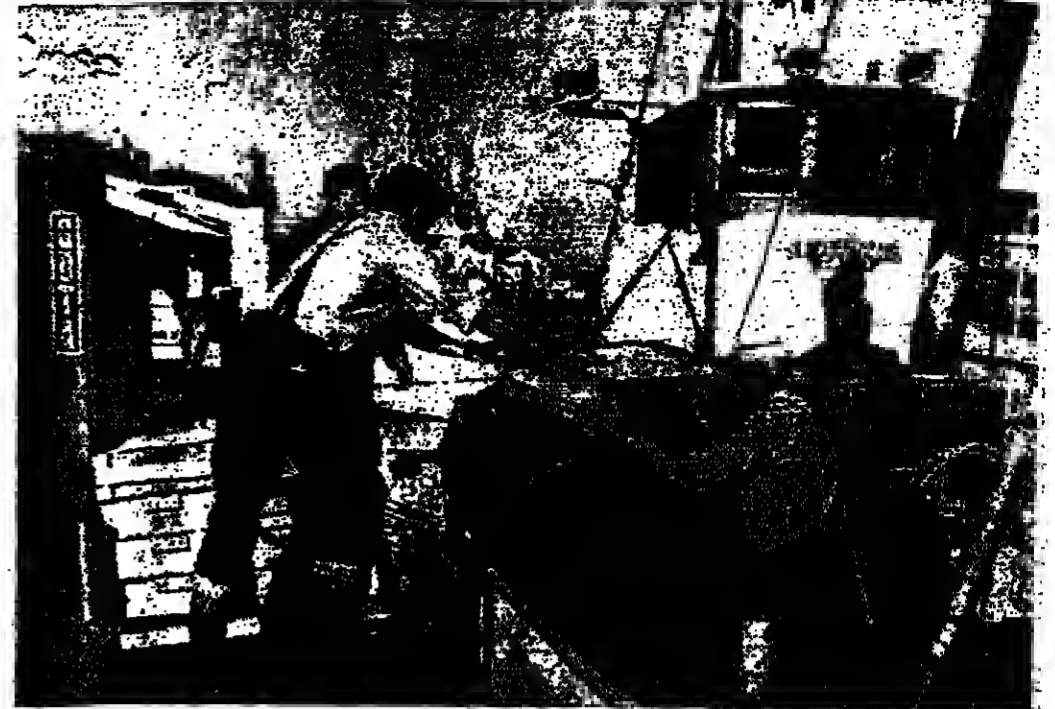
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Café in Gothenburg. Though the region's winters can be very cold, hot summers encourage open-air relaxation. Above right: hoisting a fishing catch ashore on Gothenburg quayside



## The big banks do offer services adapted to the city and region's business life Banks independent of Stockholm

THE RIVALRY, even resentment, which Gothenburg businessmen sometimes express about the dominance of Stockholm extends to the financial markets. In banking and insurance as in politics and bureaucracy the key decisions are taken in the capital, it is said.

This view is hotly contested by Mr Alf Aakerman, one of Skandinaviska Enskilda Bank's managing directors and head of its Gothenburg operation. He runs a complete banking operation for West Sweden, offering all the financial services available in Stockholm, he says.

The foreign currency business done by his Gothenburg bank is about 40 per cent of that done by Skandinaviska Enskilda in Stockholm and is higher in bank-to-bank deals, Stockholm concentrating more on trading for customers, particularly the Swedish multinational companies.

Skandinaviska Bank, which merged with Stockholm Enskilda to form Skandinaviska Enskilda, was originally a Gothenburg bank. The city's own

bank is Göteborgsbank which has found it necessary to carry out much of its head-office work in Stockholm.

Last month the Gothenburg regional savings bank announced that it was merging with the city's savings bank to form the country's sixth largest bank, Sparbanken Stockholm-Gothenburg. The move was explained by the need for a bigger bank to compete effectively in marketing and on capital markets.

**Local**

The bank would operate two head offices, one in Stockholm, one in Gothenburg, it was stated. Svenska Handelsbanken, the other big private commercial bank, also operates a decentralised domestic operation with a regional head bank in Gothenburg. But in a nation of just over 8m the logic of modern, computerised banking works in favour of concentrating functions in one financial centre.

The big banks do offer in Gothenburg services adapted to

the city's business life. Mr Aakerman reports that his bank lent SKr 3.5bn (\$603m) to shipping and rig operators last year and Skandinaviska Enskilda in Gothenburg runs a separate shipping department, which also serves Norwegian customers.

The regional insurance market is also dominated by the big Stockholm-based companies, Skandia and Tryg-Hansa, which in the past bought up local companies. Like the banks, they too operate big Gothenburg offices.

The truly local representatives are two small insurance companies, Atlantica and the Assuransföreningen, a mutual company known in English as the Swedish Club. Both have experienced interesting developments recently, in each case with some connection to the London insurance market.

Atlantica, a marine insurance company, has won a licence to start commercial, fire and accident business, thereby halting a 35-year concentration trend which has left about two-thirds of the market in the

hands of the two big companies. To underline its claim for a licence, Atlantica opened a link to the Phoenix insurance company, London, which had possessed a Swedish licence since 1905 and could therefore provide Atlantica with an instrument for starting non-marine insurance in Sweden. The insurance commissioner got the point and gave Atlantica its own licence.

The result is a David v Goliath battle hot Atlantica's managing director, Mr Nils-Yngve Danielsson, plans to provide growth that meets demand. Atlantica had a premium income of only SKr 300m from last year. It now has a market open to it of close to SKr 4bn. By taking only 2 per cent it can boost its premium income by SKr 80m. But Atlantica will run its non-marine business from Stockholm.

The Swedish Club's distinction is that it has been the only underwriter providing hull, war risk, protection and indemnity insurance from one organisation

on a mutual basis. Founded in 1882, its services were made to fit the wishes of its members, the Gothenburg shipowners. It had established long-standing reinsurance contacts in London.

**Necessity**

In the early 1970s it decided to look for business abroad. "We went international for the fun of it but found it to be a necessity," Mr Lars Lindfeldt, the managing director, says. With the decline in the Swedish merchant marine, new business had to be generated abroad. Last year slightly more than half of the SKr 192m in premiums for hull insurance came from foreign owners.

At present the Swedish Club covers about 370 vessels. In Mr Lindfeldt's view it does not have to go flat out for expansion. "We could cater for, say, 500 ships but how big can we grow and still provide a good service for shipowners? It is important that someone answers the phone when an owner rings."



Alf Aakerman: complete banking operation. The big banks have to operate large Gothenburg offices to handle the business generated in the region

Useful hints and addresses to simplify a working visit

## Business guide to the region

ENGLISH is the business language in West Sweden and a visitor speaking English will cope with most situations anywhere in the region. It is a friendly place but the Swedes retain a formal manner publicly and a formal approach in business is safer than back-slapping.

Business hours vary slightly. Some executives are at their offices by 8 am, sometimes staying until 5 pm. Take 9 am to 4 pm as the surest time but allow for an absence of up to an hour from noon for lunch. An invitation to a business lunch is often appreciated.

In summer many Swedish businessmen like to leave early on Friday afternoon. Public offices work from 8 am to 5 pm, or 4 pm in summer. Shops are open from 9 am to

6 pm, and on Saturdays until 2 pm.

Gothenburg is almost 1,000 km south of the Arctic Circle; it is warmed by the Gulf Stream and furs are not needed. A Continental European's normal cold weather clothing should suffice in winter. However, the past winter brought some exceptionally severe cold spells, with snow on the ground from early December to the beginning of March. It is wise to take a raincoat during other seasons, although the West Coast can offer days of glorious sunshine.

The Gothenburg and West Sweden Chamber of Commerce, at Parkgatan 25 (tel. 17 76 60), is a very useful source of information. It has branch offices in Borås, Skövde and Trollhättan. Many local authorities in the region run offices of industry and commerce which are keen to arrange business contacts.

Gothenburg has a wide range of hotels varying in price from SKr 100 to SKr 550 (\$17.5-96) for a single person per night. It can be very difficult to book when a trade

fair or conference is being held. The Tourist Office, at Kungälvplatsen 2 (tel. 13 59 92), might help. Hotels are found in most of the larger towns in the region.

There is no shortage of restaurants of all categories and prices in Gothenburg, some opening only for lunch when they usually offer a fixed menu as well as a la carte. Fish and seafood dishes are often very good.

**Restaurants**

Performances at the theatres are in Swedish but there are frequent opera, operetta, ballet and concert performances. Tickets can be booked through Biljettcentralen (tel. 13 65 00) in the same building as the tourist office.

Theatres are closed from June to August—during the holiday period—but Liseberg, a celebrated amusement park with restaurants, dance halls and sometimes variety performances is in full swing then. It is open every evening until 11 pm, and mid-

night on Saturdays, from May to August.

Taking time off in the countryside is strongly recommended. The West Coast with its island belt is a sailor's dream and also has much to offer fishermen and golfers (there are at least 15 golf courses). The Tourist Office can supply names of golf clubs which welcome visitors and of people who hire motor and sailing boats. A fishing permit is needed and can be obtained from Biljettcentralen and often locally.

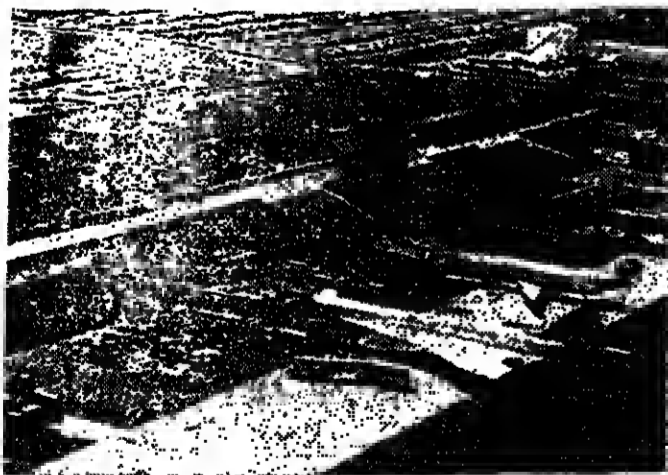
The Stugbökningcentral (tel. 11 56 08) in the Gothenburg Tourist Office can help you to rent a cottage, probably made of timber and equipped with all mod cons, by sea or lake for a week-end.

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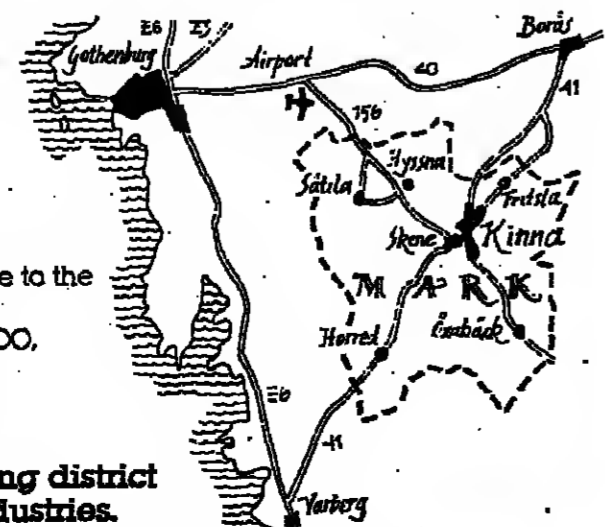
A quiet part of Gothenburg. The city has a wide range of hotels and there is no shortage of restaurants

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Peter Riddell, Political Editor, reports on tomorrow's by-election at Hillhead

# The old loyalties don't break easily

A NOTICE has been posted outside one apartment block in the Hillhead constituency in Glasgow listing the voting intentions of the residents — not so much to help canvassers as to discourage further calls ahead of tomorrow's by-election.

That is a measure of the saturation politics which has made the 40,000 voters of Hillhead probably the most wooded in British electoral history.

It was hard to go out shopping last weekend without being accosted by a Westminster agent on behalf of one or other of the candidates or being bombarded by Mr Bill Rodgers's constant megaphone commentary on Mr Roy Jenkins's walkabout ("there he goes into the butcher's, I see the chops are good value today").

It has all been great fun, but deadly serious for the parties as the electoral arithmetic has remained tantalisingly close. In so small a constituency and assuming a turnout of perhaps 75 per cent of those eligible, only 9,000 votes, or 30 per cent, could be enough to win. And the opinion polls suggest that only 500 to 1,000 votes separate the three main candidates — Mr Jenkins for the Social Democratic Party, Mr George Leslie for the Scottish Nationalist Party and Mr David Wiseman for Labour.

My hunch is that the Labour vote has started to slip and that the real contest is between the Alliance and the Conservatives. Indeed, Mr Jenkins may have a slight edge which could now be increasing to give a larger margin tomorrow night. But I would not be surprised to be wrong, such is the continuing uncertainty of the contest.

Whatever the result, there will be a considerable short-term political impact — on Mr Jenkins's chances of becoming SDP and Alliance leader, on the party's internal stability and on the links with the Liberals and, above all, on the party's credibility for future elections.

There is the trap, however, that depending on the balance of a few hundred votes, the SDP will be either written-up excessively or written-off prematurely. The Hillhead result is obviously important but some major themes which have emerged during the campaign

will stand, whatever happens tomorrow.

The central conclusion is that "breaking the mould" is going to be much more difficult than the SDP leaders hoped last year. Ingrained party loyalties built up over decades are hard to shake. According to a Telephone Survey Research Unit poll undertaken for the Sunday Standard an Edinburgh-based agent two-thirds of those who voted either Conservative or Labour in the 1979 election are sticking to these parties.

Conversations with voters and canvassers establish the pattern of the male working-class manual worker over 35 sticking with Labour largely because of class identification — because he has always been Labour. Talk about Militant and the shift to the Left has little meaning. It does not shake his commitment. The same loyalty is observed on the Right, notably among women aged over 50 who make up a large slice of Conservative support. These are the middle-aged and elderly ladies who, according to some canvassers, regard Mr Jenkins as a socialist and are instinctively Tory. If Bertie Wooster had ever had an Aunt Flora in Glasgow she would undoubtedly have lived in Hillhead.

These strongly entrenched political positions reflect the sharply contrasting social balance. A half hour's walk takes you from near-slums near the Clyde to elegant Victorian mansions.

At the start of the campaign the SDP regarded Hillhead as an attractive prospect. After all, the constituency has the highest percentage of voters with two A-levels of any seat in the UK, a high level of owner occupation, a large number of professional people and many of the staff and students of nearby Glasgow University.

The telephone poll suggests that Mr Jenkins is doing well in the area near the university among the more educated middle-class people who live in private rented housing. This area would be extended by forthcoming boundary changes.

These groups together may give the SDP a significant headstart, but they do not on their own guarantee an electoral breakthrough in the face of the strengths of Tory and Labour.

These influences are not unique to Hillhead. There are plenty of other constituencies where there is also a strong "true blue" and "true red" vote which is difficult to penetrate. SDP campaigners are having to rethink what are potentially winnable seats.

There are, however, some factors special to Hillhead and to Scotland generally. In particular, the campaign has shown the problems for the SDP of becoming involved in a four-party contest. Mr George Leslie, the Scottish Nationalist candidate, has provided an outlet for the protest vote, particularly among the young, some of which in England might have gone to the Alliance.

The SDP has all the marks of a caravan which has just temporarily camped in Hillhead. Most of the accounts at SDP campaign headquarters are English and often Ochridge. "The hard core of activists is the same group which cut its teeth in Warrington and triumphed in Crosby, with some Scots now added.

The fact that Mr Jenkins is not a Scot is also an influence. References to "that carpet-bagging Englishman" are quoted by canvassers. Ironically, even some SDP leaders concede privately that Mr Chick Brodie, the impressive Liberal candidate who stood down in favour of Mr Jenkins, might have had an easier ride.

Mr Jenkins's personality has, however, had a more positive influence via the large attendance at public meetings. According to the telephone poll, one voter in six had been to one by last weekend.

The poll suggests that Mr Jenkins's oratory has succeeded in converting significant numbers of voters.

Mr Jenkins faces tough competition from the other parties. Mr Leslie for the Scottish Nationalists has made the strongest showing as a campaigner. Mr Malone for the Conservatives has been self-confident and articulate in defending the Government's record. The weakest of the main candidates is Mr Wiseman and, while dull and worthy, he has avoided any serious errors, though probably secured few converts.

In theory, the issues in the

# SDP / LIB ALLIANCE



Hugh Rowledge

campaign should have been helping Labour. Unemployment is most frequently mentioned but few voters seem optimistic about what any government can do. Mr Patrick Jenkin, the Industry Secretary, noted after a visit to Hillhead last weekend that he had encountered much less bitterness than at Croynon and Crosby last autumn, which he attributed to the Budget.

Religion has also emerged as a lesser and somewhat submerged influence. Mr Malone is a Roman Catholic and canvassers report some vocal antagonism to him for that reason from Orange working-class voters. Some former Tories might switch either to the Scottish Nationalists or to Pastor Jack Glass. He is standing as Protestant Crusade against the Papal Visit Candidate.

A final complication is the presence on the ballot paper of a Mr Roy Harold Jenkins (a Leeds civil servant who changed

his name last year) with his own Social Democratic Party. SDP campaigners are worried about possible confusion since his name will be higher on the ballot paper than the Alliance candidate, described as the Rt Hon Roy Harris Jenkins, Social Democratic Liberal Alliance. An explanatory leaflet will be issued at polling stations. But if the other Mr Jenkins does attract a sizeable enough vote to make the difference between victory and defeat, there will be pressure within the SDP camp for a challenge to the result.

Mr Jenkins has been described as an old man in a hurry. Like Gladstone in Midlothian over 100 years ago, he will tomorrow discover whether Scotland still supports political comebacks.

1979 result: Galbraith (Conservative) 12,268, Mowbray (Labour) 10,366, Harris (Liberal) 4,349, and Borlwick (Scottish Nationalist) 3,050. Majority 2,002.

## Currencies and inflation

# Beware of misleading mechanical devices

By Guido Carli

OFFICIAL OPTIMISM about the prospects for the unification of Europe cannot dispel the spreading sense of popular inertia, deterioration and vulnerability which lies at the heart of pessimism, neutralism and anti-Americanism. Worse, the indicators show that the economic ties that bind Europe together have begun to disintegrate.

The European Monetary System (EMS) has proved a success in limiting the size of exchange rate fluctuations between the currencies of the countries included, and adjustments have been made by general agreement. But it has not proved to be a success in introducing sufficient constraints to reduce divergences. And the proposed strengthening of the EMS by extending the use of the European Currency Unit (the ECU) is not the right way to reduce them either, as I shall explain.

By the measurement of standard deviation the divergences have increased substantially — particularly the ratio of public sector deficits to GNP, and rates of inflation.

The countries with the most adverse ratios of public sector deficit to GNP have higher rates of inflation or larger balance of payments deficits. In 1980 per capita GDP in Italy was 50 per cent of that of West Germany. According to the World Economic Outlook the proportion will have only reached 53 per cent in 1986. That is how long it will take to make even a modest reduction in the old gap between the two countries.

The same thing applies to Portugal and Spain. As soon as they join the Common Market, the present problem of accommodating the coexistence of countries with different incomes per head will become yet more pressing.

As long as integration remains imperfect the poorer countries desire to move towards the income levels of the richer ones. This leads to greater pressure to increase nominal wages, demands for bigger transfer payments, and bigger budget deficits financed by creating money or quasi-money. In other words imperfect integration tends to make the divergences in inflation rates even greater.

The divergences between the different rates of nominal wage increases among EMS members in 1980 and 1981 were greater than that among the countries that participated in the joint float of 1975 and 1976. Standard deviations were 5.9 and 5.3 in 1980 and 1981 respectively against 3.1 and 2.5 in 1975 and 1976. Nor have these divergences been offset by productivity gains in the countries with the fastest wage increases. As a result greater potential disequilibria have built up in the foreign exchange markets, in spite of exchange rate adjustments.

The tensions in the system are only exacerbated by the lack of a definition of the relationship between the EMS currencies and the U.S. dollar.

## 6 Indicators show that the economic ties that bind Europe together have begun to disintegrate

Fluctuations in the dollar affect the various EMS economies differently, according to the composition of each country's foreign trade. The current exchange rate situation shows that a rise in the dollar has more widely differing effects than a fall.

So the EEC monetary authorities face a choice: they can either keep monetary growth in line with the U.S. rate and coordinate their interest rates with those in America — thereby eliminating the forces tending to destabilise exchange rates — or they can pursue independent monetary policies and accept wider fluctuations of the dollar against the Community currencies.

Since inflationary pressures have increased in all countries, the techniques of monetary policy have evolved in similar directions. Curbing the rate of inflation took priority and money supply targets have replaced interest rate objectives. Setting interest rate targets means that the monetary authorities lose control of the volume of money and credit. Setting an exchange rate target has the same disadvantages.

The same drawbacks also

apply to the extension of the use of the ECU. The EEC Commission has proposed that central banks be obliged to accept ECU's at fixed rates of exchange, and that private individuals be allowed to use them to settle transactions. The EEC member countries with the lowest levels of inflation would have their control of the quantity of money and credit reduced.

For them, money supply would depend not simply on domestic conditions, but also on policies and conditions in neighbouring countries like West Germany and the Netherlands with low inflation.

It is thus not surprising that when the issue was discussed by finance ministers and central bankers at Brussels in the middle of this month, the monetary authorities in these countries, led by West Germany, strenuously opposed the attempt to compel them to transform currency units created outside their direct control into national currencies at a fixed price.

The dispute was similar to the debate in Stockholm in March 1968 on the extension of the circulation of SDR's. SDR's were defended as the alternative to gold, and, rather than being used to fluctuate exchange rates, at that time the strongest opposition came from France.

The fact is that trying to accommodate countries with different inflation rates in one monetary system will not be achieved by means of an invention which only aggravates inflation in those countries which have been most successful in achieving a high degree of monetary stability. Mechanical devices of this kind do nothing to consolidate the unity of Europe and instead might have the effect of making it less popular.

The major threat to economic integration is protectionism, both open and concealed. There should be much greater courage in opposing it resolutely. Enforcing the rules of the Treaty of Rome is not easy; what the institutions of the Community have accomplished in enforcing them thus far deserves the greatest respect.

Guido Carli was Governor of the Bank of Italy 1980-1981, and is a former head of Confindustria. He is now an economic consultant.

## Letters to the Editor

### Cash flow advantages from a non-indexed loan

From the Joint Managing Director, Hombras Life Assurance.

Sir,—Samuel Brittan (March 15), quoting Tony Rudd, points out that high interest rates present a severe cash flow problem for businesses in the early years of a loan, argues that index-linked loans would solve the problem, and suggests that present corporation tax rules block this as a practical solution.

In fact, a borrower can with appropriate co-operation from a lending institution, get precisely the same cash flow advantages from a non-indexed loan, and with no corporation tax complications. This can be achieved by arranging a conventional fixed term loan, with interest related to base rate, subject to one additional condition: the lender undertakes that, immediately after receiving each annual interest payment, it will make an additional loan equal to the rate of inflation that year, multiplied by the existing capital amount of the loan.

### A profitable project plus employment

From the President, National Union of Mineworkers.

Sir,—I was interested to read Anthony Moreton's report (March 16) on the Melton industrial development aid scheme to attract new industrial activity to the Melton Mowbray area in order to alleviate local unemployment problems.

It is a pity that Government delays have so far prevented implementation of one project which would dramatically increase prospects in that area — a project which has been opposed, surprisingly, by Mr Michael Latham, the local Member of Parliament. I refer, of course, to the National Coal Board's north east Leicestershire project, the planning inquiry for which closed about two years ago. When the NCB gave evidence to the inquiry, it stated that direct employment on development of the project would provide about 1,200 jobs by the mid-1980s; these figures are now, of course, unrealistic because of the inordinate delay in coming to a decision on this project — and in any case they took no account of the substantial additional jobs which would have been generated through local authority work on the provision of housing, roads and other infrastructure for the project and through the increase in general economic activity in the area.

At a time when over 3m are unemployed, it is appalling that the coal industry should have been prevented for almost 10 years from making a start

on a project which would provide many jobs during its development, and about 4,000 permanent jobs in a highly profitable project which is essential to our energy future. I hope that the industry which I am leaving will even now be allowed to make an early start on this vital project, with all the benefits it can bring to the construction industry, the coal industry and the country. Joe Gormley, NUM, 222 Euston Road, NW1.

Not quite what it seems. Sir,—It does not seem to be generally realised that the alleged index-linked stocks are not quite that. For example, the July 1982 interest payment on 2 per cent 2006 will be 1.11 per cent, the ratio of the RPI's between base date 19.11.80 and 19.7.81, which is supposed to be the index ratio, is 1.11968, an addition of 11.966 per cent. It appears to be Treasury practice to take the ratio to the lower integer.

If so, the average discount on the full inflation rate will be 1 per cent p.a. This is for practical purposes equivalent to taking 1 per cent off the 2 per cent coupon. Thus, the whole return at par of the 11.11 stock would be "inflation plus coupon." If the first part of this sum is reduced by 1 per cent, it is the same as reducing the second part, i.e. the coupon. If, therefore, my assumption as to Treasury intentions is correct (and I have no means of forecasting its future

practice) the "real yield" of these stocks is over-estimated by 1 per cent, a large part of the whole. P. T. Jenkins, 4, Ferrandale Road, Chichester, West Sussex.

Interest-free loans. From Mr A. Milne. Sir,—Mr Crum (March 13) raises an interesting question regarding the transmission of funds in the banking system. One can only assume that the late arrival of funds on his account at the building society was due to a weekend falling immediately after the 27th of the month, and thereby causing a delay of two days. The building societies would, no doubt, claim that this is a fault of the banking system over which they have no control.

This is not however, strictly true for if the building societies were to participate in the direct debit scheme, the mortgage account at the bank would be charged on the same day as his account at the building society is credited thus obviating interest charges. Furthermore, as it would appear that the Government is insisting that with effect from 1983 mortgage payments should be paid net of tax at the standard rate, the direct debit scheme would, I suggest, save the mortgagee having to complete a new form of standing order mandate each time there is an amendment to the standard rate of income tax. Adrian Milne, 60 Ware Street, Bearsted, Kent.

### One political priority

From Lord Seainsbury

Sir,—May I say how strongly I support the views of Samuel Brittan (March 18, Lombard), that those who believe in a mixed economy, with a strong private enterprise element, should have one political priority — namely, that the Labour Party should not be able to form a majority Government in the UK until it reverses many of its present policies and the acceptance into its ranks of the basically revolutionary Marxists and Trotskyists.

To avert this possibility, there must be a change in the electoral system to some form of proportional representation, which is only likely to be achieved if there is a strong force of SDP/Liberal Alliance members in the next House of Commons.

As a beginning to achieving that end, it is my hope that many erstwhile Conservatives and many non-party voters will vote for Roy Jenkins at Hillhead.

Sainsbury, House of Lords, SW1.

### A broad alliance of the Left

From Mr F. Goldsmith

Sir, Samuel Brittan in Lombard (March 18) suggests that it is a mistake for the Conservatives to attack the SDP. Mr Brittan appears to be considering the way in which the SDP and, more importantly, its Liberal allies actually behave.

It may be relevant to consider the way in which the Liberal group in Bedfordshire County has acted since election in May 1981. It has consistently voted with the Labour group in resisting any cuts in expenditure and in voting through new taxes and in recently forcing through a 39 per cent increase in domestic rates.

It can be assumed that the SDP is to the Left of the Liberals and it is obvious from what is happening in many places that the Liberal-SDP-Labour form a broad alliance of the Left.

It is an illusion to think that any party other than the Conservatives can provide the moderate broad-based consensus which the great majority of British electors look for and the recent Budget has made it clear that the Government represents the only party which has both the will and the ability to serve all the community. F. J. Goldsmith, Oak Bank, Oak Bank Drive, Leighton Buzzard, Beds.

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UK COMPANY NEWS

Disposals and fall in interest boost Burton

A SUBSTANTIAL reduction in interest charges from £3.14m to £0.27m and a £1.55m profit on disposal of trading properties have helped the Burton Group to raise pre-tax profits from £8.55m to £14.17m for the 26 weeks to February 27 1982. The interest cut follows last year's elimination of bank borrowings.

Turnover, including tax of this menswear and womenswear retailer, slipped from £134m to £115.6m, but excluding activities now disposed of, there was an increase of 14 per cent over last year.

Trading profits from continued activities rose from £10.75m to £12.77m. Group operating surplus climbed by 56 per cent to £12.49m (£8.02m) and there was an improvement in all sectors of its operations. Other income, principally on property disposals, totalled £1.68m (£0.53m).

Tax charge increased from £596,000 to £2.1m and after crediting last time an extraordinary item of £4.27m, attributable profits came through little changed at £12.07m.

The interim dividend is being raised from 2p to 2.5p net per 50p share, to reduce disparity, end, absorbs £2.02m (£1.6m). Last year's final was 4.5p on taxable profits of £16.37m.

The group's menswear retailing business, comprising Burton (incorporating Jackson) and Top Man has raised first-half sales by 15 per cent on the same period of 1980-81. The womenswear retailing side of Top Shop, Dorothy Perkins, Evans and Peter Robinson increased sales by 14 per cent.

The board says these increases have been achieved against a background of generally static consumer demand. The group has continued to gain market share as a result of its policy of investing in new and modernised branches and by the broadening of the product range.

Although the current economic climate is relatively stagnant, the board remains confident of the group's ability to grow.

See Lex

W. E. NORTON

The half-yearly preference dividend payment due on March 31, 1982, at W. E. Norton (Holdings) machine tool merchant will have to be deferred, the directors state, because the company is not yet trading profitably.

For the six months to March 31, 1982, the directors say there is some evidence of a slight improvement in trading conditions, but this is insufficient to affect the result for the full year.

Mr R. W. Aitken has been appointed as a non-executive director.

HIGHLIGHTS

Lex discusses the 1981 figures from London and Scottish Marine Oil which show pre-tax profits sharply up from £47m to £113m before inclusion of the special "make-up oil" relating to its increased stake in the Ninian Field. LASMO has paid a maiden dividend on its ordinary shares of 10p. The column also looks at Burton Group which has brought out its first-half results ahead of time. They present a good picture with underlying profits up 18.7 per cent at £12.8m and the balance sheet now free of debt. Growth at the pre-tax level was about two thirds and the dividend has been increased. Lex also examines the major placing of STC shares yesterday by IIT which brought the U.S. parent's holding down from 85 per cent to 75 per cent and produced nearly £50m. Elsewhere in company news Paterson Zochonis reports a slight increase in interim taxable profits from £12.2m to £13.1m, while Willis Faber lifted its pre-tax total from £19.5m to £17.1m.

Smith & Nephew £4.8m advance at year end

FINAL QUARTER pre-tax profits of Smith and Nephew Associated Companies increased from £7.65m to £9.6m and lifted the full year's figure, ended January 2 1982, to £29.13m against a previous £24.32m. Turnover expanded by £37.5m to £251.02m.

The directors expect first-quarter profits in the current year to be higher than the £9.8m last time.

Adjusted earnings per 10p share are 9.9p, against 8.79p, and the dividend is effectively raised to 4p (3.47p) net with a final distribution of 2.7p (2.31p) adjusted. Also proposed is a one-for-eight scrip issue.

An active analysis of sales and operating profits, £30m (£26m), shows: medical and health-care £132.1m (£102.9m) and £16.4m (£13.6m); personal hygiene £36.5m (£36m) and £5.3m (£5.3m); toiletries £16.9m (£18m) and £2.3m (£1.8m); medical and other textiles £29.9m (£31.6m) and £2.1m (£2.6m); plastics and tapes £58.9m (£44.2m) and £3.9m (£2.7m). Sales between activities amounted to £22.7m (£19.2m).

A geographical split of the sales figure shows UK £130.2m (£123.6m) and £14.5m (£14.3m); Europe £25.2m (£25.1m) and £3m (£2.2m); Australia and Asia £33.1m (£26.9m) and £3.6m (£2.6m); Africa and Middle East £31.2m (£26.6m) and £5.3m (£3.5m); and £4.3m (£3.1m).

Above the line, depreciation on fixed assets amounted to £7.13m (£6.28m), interest charges were £5.15m (£6.03m) and associate companies' share of profits contributed £3.27m, compared with £4.39m.

Tax for the year took £8.95m against £6.84m, and after minority interests of £38,000 (£39,000), and a much lower extraordinary debit of £536,000 (£3.95m), the available balance was up by £8m to £19.51m.

Dividends will absorb £5.18m (£5.97m).

Commenting on the extraordinary items, the directors say that further losses were incurred on the final disposal of the cosmetic activities and other smaller business terminations, but these were substantially offset in 1981 by a profit on the disposal of the plastic sheet extrusion business carried out by Iridon, and Drelco.

At £37m, net borrowings were slightly down on the previous year and represent 25 per cent of total assets employed—£145.55m (£131m). Shareholders' funds were £108.05m (£90.68m).

Profits of Smith and Nephew for the full year are up an impressive 20 per cent and all of the growth came from overseas. For the first time, S and N has earned more than half its profits outside the UK, which is a further demonstration of the depth of this reliable performer. In the first half, associates led the way, with Mexico buoyant and British Tissues enjoying low cost pulp. In the second half, Tissues was hurt by rising dollar prices for pulp but many of the group's subsidiaries took up the running. Operating profits were up nearly a quarter in the second half only a 7 per cent rise in the first half. Opsite and Flamazine gained greater acceptance, especially in Africa and the Middle East. Plastics and tapes did especially well in the U.S. and Australia. Medical textiles are up but denim production made a small loss. Flat profits from personal hygiene reflect a tough UK market and some impact of the U.S. health scare on tampons. At 107p, up 5p, the shares carry a well-earned premium rating of just over 15. The balance sheet is stronger and the dividend comfortably covered in CCA terms. The yield is 5.5 per cent.

Fairclough 31% ahead to £13.5m

SECOND HALF 1981 profits of Fairclough Construction Group, the Cheshire based civil engineering and building contracting company, have increased from £6.07m to £8.32m, taking the year's result up to a record £13.45m—a rise of 31 per cent on 1980.

At the interim stage—when profits exceeding £5m for the first time were reported—the directors said that turnover had been slightly reduced mainly due to delays on certain major contracts. They said that overseas activities had been a little disappointing but they were confident that the second half would be more successful.

For the full year turnover was £48.5m, against £44.5m in 1980. The directors explain the domestic turnover was slightly down but the scope of the group's operations has been extended at home and overseas in particular through associated companies and joint ventures.

Work on hand is good and ahead of last year, they report. At the end of 1981 group liquidity showed an increase of £1.2m to £8m.

Operating profits for 1981, excluding make-up oil, advanced from £7.2m to £13.2m after deducting royalties of £19.2m (£8.1m) and production, operating and other costs amounting to £94.7m (£29.1m).

Net interest payable decreased by £7.2m to £10.4m and payments on the oil production stock absorbed £9.5m (£5.3m).

Tax charge rose sharply from £26.3m to £29.8m and attributable profits emerged £20m higher at £47.7m (£27.9m) after deducting £1.2m (£0.7m) in provision for UK tax for the year by way of government royalty, supplementary petroleum

YEARLINGS SAME

The interest rate for this week's issue of local authority bonds is 12 1/2 per cent, unchanged from last week and compares with 12 1/2 per cent a year ago. The bonds are issued at par and are redeemable on March 30, 1982.

Rents boost Peachey at halfway

AN INCREASE of £23,000 to £4.97m in pre-tax profits is reported by Peachey Property Corporation for the six months to December 23 1981. Income improved from £2.65m to £3.41m, with net results increasing by £87,000 to £4.1m. Profits on trading property sales were £812,000 higher at £853,000.

Sir Charles Ball, the chairman, says net rents will continue to increase in the second half, and trading profits for the year are expected to be above those for last year.

He says the company is actively disposing of some of its blocks as part of its policy of portfolio improvement. Two small blocks have been sold to the tenants, and negotiations are in progress for the sale of other blocks.

The interim dividend is increased from 1.5p to 2.25p.

Waterford Glass over £10m

SECOND-HALF 1981 pre-tax profits of Waterford Glass increased from £15.51m to £26.32m following an improvement of £10.5m in the first half. Profits for the whole of 1981 rose from £26.6m to £10.36m. Turnover of the 'retailer' of lead crystal cut glassware rose from £154.1m to £190.25m.

The final dividend is unchanged at 0.81p for a same-again total of 1.51p.

The directors say the group has had a more profitable level of trading due to a general improvement in all areas, and in particular, in the department store division. But they say the current world-wide recession continues to provide a challenge to the maintenance and growth of profitability in the department and in such an economic climate it would be difficult to speculate on the outcome for 1982.

The pre-tax figure was struck after interest charges up from £3.38m to £5.73m. The tax charge was £1.26m (£1.63m) and minorities accounted for £27,000 compared with £88,000. Stated earnings per 5p share increased from 2.9p to 4.1p.

On a CCA basis, pre-tax profits were £5.06m against £1.98m.

LASMO surges ahead to £113m

TAXABLE PROFITS of London and Scottish Marine Oil Company have surged ahead from £47.3m to £113.2m in 1981, on sales well up at £237.1m, compared with £108.4m. First-half pre-tax figures had climbed from £20.35m to £55.03m.

The year's after-tax profits have nearly doubled to £40.5m (£22m) after including £7.1m this time from the sale of make-up oil. This arises from the sale of 2.1m barrels of crude oil due to LASMO as a result of the upward and retrospective redefinition of its interest in the Ninian field.

Stated earnings per 25p share increased from 30p to 55.2p including make-up oil and 45.5p excluding it. As forecast at the interim stage, a final dividend of 6p net is being recommended making a total for the year of 10p (nil).

Oil production stock holders will receive a payment of £3.1344p per unit on April 30, in respect of production for the six months to December 31 1981. The payment for the previous six months to June 30 was £2.7536p.

Operating profits for 1981, excluding make-up oil, advanced from £7.2m to £13.2m after deducting royalties of £19.2m (£8.1m) and production, operating and other costs amounting to £94.7m (£29.1m).

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Willis Faber soars 40% to £27m Tomatin deficit increases

SHARPLY INCREASED profits are reported by insurance broker Willis Faber for 1981, the pre-tax figure emerging 40 per cent higher at £27.18m, compared with £19.37m. Income for the period was well ahead at £26.61m, against £18.48m, but net results look £3.5m more at £46.31m.

With stated earnings per share advancing from 23p to 32.3p the dividend for the year is being stepped up by 3p to 15p net per 25p share by an increase of 10p (8.2p).

Commenting on the results Mr David Palmer, the chairman, says the rise in income (22 per cent) reflected real growth in the group's portfolio of business combined with the effects of continued high interest rates and the decline in sterling.

Expenditure in the second six months takes account of special payments to group pension schemes and a special bonus to the UK staff amounting in total to approximately £2m. Excluding these exceptional items expenses for 1981 increased by 13 per cent.

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Ricardo Engineers up 85%

THE IMPROVED performance by Ricardo Consulting Engineers which began to show itself in the second half of last year was sustained in the first six months of the current year.

For the period to December 31 last taxable profits soared from £488,000 to £511,000—a rise of 5 per cent on revenue higher at £4.73m, compared with £4.13m.

In its interim statement Mr Diarmuid Downs, the chairman, says demand for the group's services, both as consultants and contract design, development and

research engineers, remains high. He adds that new orders, both educational and industrial, received by group subsidiary G. Cussons are higher than last year and are currently on the budgeted target. The present situation of the group is regarded as satisfactory.

Half-year earnings per 25p share are shown to have risen from 9p to 15.2p but the net interim dividend is being held at 3.5p—a total of 5p was paid for 1980-81 from pre-tax profits of £1.15m (£1.31m).

Current cost accounting shows a pre-tax profit for 1981 of £107.4m (£48.8m).

Group sales for the year totalled 14.3m barrels of crude oil, and 8.3m cubic feet of gas. LASMO's Ninian crude oil continues to be sold under term contracts. The term price, which covers these contracts, came under severe pressure in the latter half of the year and this downward movement has continued into 1982. However, this fall has been compensated by an increase in the value of the dollar and in sterling terms the price of a barrel of Ninian crude oil since early 1981 has risen slightly.

In the Ninian Field, the group's average production for the year was 292,000 b/d (231,000 b/d). The field is now producing around 300,000 b/d, a level which is expected to be maintained after 1982.

LASMO's share of oil take from the Ninian gas field was 8.1m cubic feet in 1981. Agreement has been reached with the British Gas Corporation for an increased take of gas from the field.

The net price for gas is retrospective to October 1 1980 and the net results have benefited by 10p per share.

The group's wholly owned U.S. subsidiary, Ninian Oil Corporation, has completed its successful programme of drilling and working over wells in the offshore area.

In addition, effective January 1 1982, the group acquired 51 producing oil properties in Kansas

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AN INCREASE of £23,000 to £4.97m in pre-tax profits is reported by Peachey Property Corporation for the six months to December 23 1981. Income improved from £2.65m to £3.41m, with net results increasing by £87,000 to £4.1m. Profits on trading property sales were £812,000 higher at £853,000.

Sir Charles Ball, the chairman, says net rents will continue to increase in the second half, and trading profits for the year are expected to be above those for last year.

He says the company is actively disposing of some of its blocks as part of its policy of portfolio improvement. Two small blocks have been sold to the tenants, and negotiations are in progress for the sale of other blocks.

Waterford Glass over £10m

SECOND-HALF 1981 pre-tax profits of Waterford Glass increased from £15.51m to £26.32m following an improvement of £10.5m in the first half. Profits for the whole of 1981 rose from £26.6m to £10.36m. Turnover of the 'retailer' of lead crystal cut glassware rose from £154.1m to £190.25m.

The final dividend is unchanged at 0.81p for a same-again total of 1.51p.

Ricardo Engineers up 85%

THE IMPROVED performance by Ricardo Consulting Engineers which began to show itself in the second half of last year was sustained in the first six months of the current year.

For the period to December 31 last taxable profits soared from £488,000 to £511,000—a rise of 5 per cent on revenue higher at £4.73m, compared with £4.13m.

In its interim statement Mr Diarmuid Downs, the chairman, says demand for the group's services, both as consultants and contract design, development and

research engineers, remains high. He adds that new orders, both educational and industrial, received by group subsidiary G. Cussons are higher than last year and are currently on the budgeted target. The present situation of the group is regarded as satisfactory.

Half-year earnings per 25p share are shown to have risen from 9p to 15.2p but the net interim dividend is being held at 3.5p—a total of 5p was paid for 1980-81 from pre-tax profits of £1.15m (£1.31m).

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding date last year	Total last year	Total this year
Brent Chemicals	1.7	July 15	1.5	2.3	2
British Car	1.75	July 15	1.5	—	3.3
Burton Group	2.5	July 30	2	—	6.5
Equity and Law	10.5	July 1	9	15	13
Fairclough Construct	3.5	July 1	2.85	5.5	4.5
File Indmar	4.7	April 30	3	6	4
Finlay Packaging	1.75	May 19	1.1	2.25	1.5
Finlay and Sons	3	May 19	2.3	4.3	3.5
Investment Trust	6	May 21	nil	10	nil
LASMO	3	May 7	1.35*	—	4.33
Paterson Zochonis	1.33	May 27	1.5	—	4.5
Peachey Property	2.25	April 16	3.5	—	8.5
Ricardo Engineers	3.7	May 25	2.31*	4	3.47*
Smith and Nephew	2.5	—	0.1	nil	0.1
Tomatin	0.91	—	0.81	1.51	1.51
Waterford Glass	0.81	April 30	3.75	5.45	5.35
Willis Faber	10.7	June 3	8.2	15	12
Woodward and Sea	1.7	April 27	1.7	2.2	2.2

Dividends shown in pence per share net except where otherwise stated. \* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM Stock. § To reduce disparity.

and has also entered into a joint venture with a Dallas company involving an active exploration programme. As part of this venture an interest was also acquired in 20 oil and gas properties in Texas and Louisiana. Production net to LASMO is now about 2,000 b/d and compares with 1,488 b/d for 1981.

Last year the company acted as operator in drilling offshore the Netherlands and offshore the UK as well as participating in a further six exploration and appraisal wells in the UK sector of the North Sea.

In 1982 participation in seven exploration and appraisal wells is planned in the UK sector of the North Sea including one to be drilled as operator. Overseas

Tomatin deficit increases

HIGH FINANCE costs and reduced distillery production have contributed to increased losses at Tomatin Distillery Company. The pre-tax deficit increased from £1.36m to £2.37m of turnover down from £10.74m to £9.48m.

The final dividend has been passed—last year a total payment of 0.1p was made. At the interim stage pre-tax losses stood at £1.2m (£506,000 loss).

Losses per ordinary 25p share rose from 20.96p to 37.3p. Distillery production has been reduced by approximately 50 per cent compared with 1980, say the directors.

In December 1981, the company received EEC cereal refunds, part of which will be repaid to customers. The amount of payment and method of settlement have not been decided and therefore no credit has been taken in the 1981 profit and loss account, say the directors.

There was a tax charge this time of £20,000, compared with a previous credit of £231,000. Attributable losses rose from £1.13m to £2.59m. On a current cost basis the attributable deficit amounted to £2.6m (£1.1m).

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1981-82	Company	Price	Gross Yield	P/E	Fully
129	100 Ass. Brit. Ind. CULS...	129	10.0	7.8	11.8
75	82 Airprod...	75	4.2	8.8	3.8
51	33 Armitage & Rhodes...	51	4.2	8.8	3.8
205	187 Bardon Hill	199	9.7	4.9	9.7
100	100 CCL 11pc Conv. Pref.	107	16.7	14.7	14.7
104	83 Osborn Conv. Pref.	104	10.0	8.2	3.1
131	37 Frank Horsell	127	8.4	5.0	11.4
33	39 Frederick Parker	78d	6.4	8.2	4.0
102	93 Ind. Fraction Gearing	84	1.1	7.5	7.0
109	100 Isac Conv. Pref.	108	15.7	14.4	—</







UK COMPANY NEWS

Watmoughs down 11% to £1.5m Brent Chemicals profit rises 28% to £3.6m Profit fall still seen by Paterson Zochonis

TAXABLE profits of Watmoughs (Holdings) fell by 11 per cent in 1981 from £1.72m to £1.53m. Mr P. G. Walker, chairman, says a number of factors contributed to the more difficult conditions during the second six months following the increase in profits from £825,000 to £876,000 in the first half.

Mr Walker says trading conditions were satisfactory until the final quarter when the level of sales of packaging and periodicals fell below expectation. Turnover rose by 17 per cent from £15.06m to £17.26m. Stated earnings per share fell from 26.88p to 22.06p. Adjustments were made to the 1980 figures for the bonus element of the rights issue in April 1980.

SECOND-HALF taxable profits of Brent Chemicals International moved ahead from £1.31m to £1.58m and pushed the figure for the whole of 1981 to £3.62m, against £2.82m, a rise of 28 per cent. Sales of this industrial chemicals manufacturer expanded by 51 per cent to £48.56m (£32.14m) and were augmented by 11 months' operations of the two new U.S. businesses, Brent Chemicals Corp. and Cresco.

REPORTING A marginal increase to first half 1981-82 profits, before tax, the directors of Paterson Zochonis, the Cussons soap, Odeon hygiene group which also has large interests in West Africa, tell shareholders that they still consider results for the full year are unlikely to reach last year's record level of £29.51m. This is because of Nigerian trading conditions.

BOARD MEETINGS

- The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Dividend decisions are not available as to whether dividends are to be paid and the amounts to be paid.

AECI LIMITED (Incorporated in the Republic of South Africa) 58TH ANNUAL REPORT YEAR ENDED 31 DECEMBER 1981 CHAIRMAN'S STATEMENT. Once again I am pleased to report that the Group's results showed a substantial improvement over those achieved in the previous year. Turnover for 1981 totalled R1 467.0 million, an increase of R230.7 million (18.2 per cent) over 1980. Export sales included in the above amounted to R65.0 million (1980 - R62.6 million). Net income before taxation for the year at R252.7 million increased by 25.1 per cent over the corresponding figure for 1980. Earnings per share improved from 81.3 cents to 102.2 cents and the ordinary dividend for the year has been increased from 45 cents per share to 55 cents per share.

They remain confident of Brent's long-term growth prospects. Earnings per 10p share are shown at 61p (53.1p) at the year end and the dividend is effectively increased to 2.3p (2p) net with a final of 1.7p (1.5p adjusted). The directors explain that although particularly severe conditions affected most of the manufacturing industry, modest

Rising trend continues at BCA

THE RISING trend noted in profits and turnover at British Car Auctions last July has continued through the first six months. Pre-tax profits have risen by £24,000 to £1.83m for the period ending January 31 1982. Turnover was ahead by 25 per cent on a like-for-like basis, proceeds from auctions which rose from £94.72m to £118.38m. Commissions earned were higher at £4.76m (£4.07m) and other sales reached £5.05m (£4.94m). The interim dividend has been lifted from 1.5p to 1.75p. In the last full year the total payment was 3.5p on pre-tax profits of £2.9m, with gross proceeds from auctions amounting at £215.77m.

Equity and Law pays 15% more

TOTAL DISTRIBUTABLE surplus on the long-term insurance funds of Equity and Law Life Assurance Society increased from £25.26m to £31.14m in 1981, of which the shareholders' portion was £2.74m against £2.23m. Net investment income on shareholders' funds amounted to £2,400 against £2,060, and shareholders' profit came out at £2.95m (£2.48m). Earnings per 5p share were up from 12.4p to 14.5p. The dividend is raised by 15 per cent from 13p to 15p per share with a final of 10.5p.

Riley Leisure to raise £3.19m

Riley Leisure, manufacturer of snooker tables, is raising £3.19m net by way of an underwritten rights issue of 3.38m shares on the basis of one at 95p. The group has reported interim figures to January, showing pre-tax profits of £390,000 (£310,000) on turnover of £4.58m (£4m). The interim dividend is 2.5p (1.9p). The directors say that the prospects for the future are encouraging and the foundation is being laid for the expansion, both at home and overseas, that should develop over the next few years.

50 companies wound up

Compulsory winding up orders against 50 companies were made by Mr Justice Mervyn Davies in the High Court yesterday. They were: Mazda Price Super Store, Personal Portfolio Services, Balvay, G. Cavocchi and Son, Partex Enterprises and Sainco. Companies wound up include: Elmsthorpe, U and C Garton Shopfitters, Dineford, Chabridge Transport, Tuscanida and Akhn Brothers, G. C. Calder and Company, Cherie Babe, Trident Communications, Wilpworth, H. E. Russell and Michigan Properties, R and D O'Hare, The Union Roofing Company, Adastral Rentals, A. Higgins, B. J. S. Assemblies (Walford) and B and S Exhibitions (Wales), D.E.C. Exhibitions, Alan Landenberg, Dalchar, Fryday, Andros, Window Films and

Elsewhere there has been a recovery in the UK and progress in Greece, Australia and Kenya. So the Nigerian contribution has fallen from the typical 70 per cent or so of total profits to about 60 per cent. Clearly developments in the oil market are critical for both the Nigerian economy and therefore Paterson's performance. While the general trading arm is unprofitable, the manufacturing operations are better placed, with big increases in capacity hit, with margins on imports squeezed. But the more important manufacturing operations in fridges and detergents have seen increased volumes.

Recovery at Finlay Pkg

Finlay Packaging, colour printer and backing manufacturer, reports pre-tax surplus of £215,000 for 1981, up from £429,000 in 1980, when profits were hit by industrial action and the recession. The final dividend is being raised from 1.1p to 1.75p net per 5p share, bringing the total pay-out for the year to 2.25p (1.5p). Half-year profits increased to £393,000 from £297,000 and in their interim report, the directors said that business lost during the 1980 strike was not relieved until early in 1981 and then the industry was seriously hit by recession. The value of sales and profits had increased at the half-year.

Warning by Utd Ceramic Distributors

Last year's severe downturn in demand for products distributed by United Ceramic Distributors will have a very depressing effect on its results, the directors warn. The company is engaged in the distribution and importation of ceramic wall and floor tiles and kitchen furniture. In August it reported that first-half 1981 pre-tax profits had tumbled from £217,046 to £100,452 after demand had taken an unexpected downturn in May and June.

Progress at Estates and General

DESPITE INTEREST charges increasing from £1.34m to £1.62m, pre-tax profits of Estates and General Investments moved ahead from £317,000 to £314,000 in 1981. This is in line with a projection of not less than £300,000 made earlier this month. Group trading profit was £3.59m against £1.66m, and the General's surplus on the disposal of investment properties contributed a further £57,000 (£35,000). There was a tax charge of £138,000 (£78,000 credit), and after minorities of £15,000 (£9,000), attributable profits emerged with a net of £261,000 against £155,000. As forecast, a second interim dividend, in lieu of the final of 1.15p (1p) is being paid for a total of 1.75p (1.55p) net.

EUROPEAN OPTIONS EXCHANGE table with columns for Series, Vol, May, Vol, Aug, Vol, Nov, Stock. Includes entries for GOLD, 12M, 18M, 24M, 36M, 48M, 60M, 72M, 84M, 96M, 108M, 120M, 132M, 144M, 156M, 168M, 180M, 192M, 204M, 216M, 228M, 240M, 252M, 264M, 276M, 288M, 300M.

TOTAL VOLUME IN CONTRACTS: 6815. A=ASKED B=BIID C=CALL P=PUT







This advertisement complies with the requirements of the Council of The Stock Exchange.

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Interest is payable semi-annually in arrears in October and April in each year. The first interest payment date is expected to be October 15, 1982.

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**EEC TRADEMARK LAW**

**The perils of harmony**

By A. H. Hermann, Legal Correspondent

COCA-COLA is a trademark which secures a world market for a fizzy brown liquid. It is probably the best known example of the advantages that can be gained from promotion concentrated on a single name, but it is not a method suitable for everybody. Distillers, for example, successfully market another brown liquid under a variety of trademarks, and their usefulness goes beyond the identification of differences in the taste for Black and White, Johnnie Walker, White Horse and 47 other brands. They also enable a better exploitation of different price levels, both within one country and in several countries.



The protection of national markets where high prices can be obtained is particularly important for the pharmaceutical industry which, because of direct or indirect price control, or absence of patent protection, is obliged to sell at low prices in other countries. Trademarks licensed to the local sole distributors of pharmaceuticals and protected

The establishment of a Community trademark office in London is the most easily visualised part of the project. The London patent agents want it; the Greater London Council wants it; the British Government wants it. It would be the first EEC institution located in the UK.

The examination system proposed for the Community trademark by the Commission could probably be better handled in London than anywhere else because it is similar to the UK system. A more subtle argument for London is the need to increase the British sense of belonging to the Community.

In short, it would be nice to have the Community Trademark Office in London provided that such an office would be a useful institution. This, however, is by no means certain.

It is difficult enough to find a suitable name which is not already used in a single country. It would be many times more difficult to find trademarks which are acceptable, free, and commercially effective, in all the countries and language areas of the Community. Even the most enthusiastic proponents of the Community Trademark Office concede that the number of registrations at the Community Trademark Office would be relatively small and that they could be achieved only by a lengthy and costly process.

The price exacted for the relatively few Community trademarks is a dangerous surgical operation aiming at an automatic removal of all multiple brands of one and the same product. The European Court ruled, in the American Home Products case, that two different trademarks must not be used for the same, or similar, product with the sole purpose of separating the national markets, or at least they must not be used to stop the parallel importer. The Commission's project would go much further. It would lead to an automatic invalidation of trademarks if the protected goods were marketed in another member state under another trademark.

Such surgery would have painful side effects. First, neither of two trademarks may be suitable in any two countries, and the manufacturer might be obliged to give up both and to undertake the expensive promotion of a new trademark. Second, the trademarks which manufacturers may have to abandon under this rule, could

be picked up and registered by their competitors.

There exist basically three types of trademark protection: one protects rights acquired by using a trademark or name over a period of time. This is achieved by the common law "passing-off" action — which is aimed at people who try to "pass-off" one product as another — and to a lesser degree also by the "unfair competition" legislation of the continental countries. The second registers trademarks without preceding examination — such is the French system of *marque déposée*. Other continental systems are close to the French. The third system, used in the UK and Eire, makes registration dependent on examination by the trademark office — and registration is, therefore, much harder to get.

The Community trademark would be based on the examination system, like the UK trademark. But some British companies believe that not only should the French system be adopted for the Community trademark, but that Britain should have used this opportunity to give up examinations in its national system. The critics of the present UK system argue that the examination is arbitrary, costly, time-consuming, and, in view of the protection given to unregistered trademarks under common law, provides no certainty.

If Britain gave up the examination system, it is argued, this would open up the possibility of joining the Madrid agreement which all the other member countries of the EEC have been successfully using for over 100 years. Under this agreement one application lodged with the national registry may be extended to a further 23 countries.

Another point of criticism concerns the definition of the



trademark rights in Article 3 of the proposed EEC directive. A trademark owner could oppose the use of signs which create a serious likelihood of confusion on the part of the public. This may lead to a serious weakening of his position if a competitor uses an identical or

similar trademark for identical goods but without creating a "serious likelihood" of confusion immediately, but only later after the owner of the original trademark had lost the chance to defend it.

Much worse, to say the least, is caused by the "acquiescence" clauses of both the draft directive and draft regulation. These clauses deprive a proprietor of trademarks or other exclusive rights from applying for



invalidation of a "confusing" national or Community trademark if he has suffered its use in one member state for three years in succession. This unduly deprives a trader of defense against a similar, or confusing, trademark only because it had been used previously in another EEC country where he either had no right — or commercial reason — to object.

The draft regulation gives owners of common law trademark rights, at a great disadvantage. Their owners would have to wait until the Community trademark is registered and then apply for cancellation. By that time a lot of damage could have been done. No such disadvantage would be suffered in countries where registration can be more easily obtained than in the UK. In general, the position of common law trademarks, now protected by the "passing-off" action, would become highly questionable. The directive says the member states may continue to protect trademarks acquired through use, but also excludes the application in trademarks of other rules of law of the member states, such as the provisions relating to "fair competition".

Even without such conditions, both the directive and the regulation provide vast opportunities for the Commission and the European Court to escalate the impact of these measures. Before they are adopted they should be studied once more for what they really are and to what transformation by case law in the European Court they lend themselves. Perhaps a way can be found to have the Community Trademark Office without so much dangerous tinkering with the trademark law.

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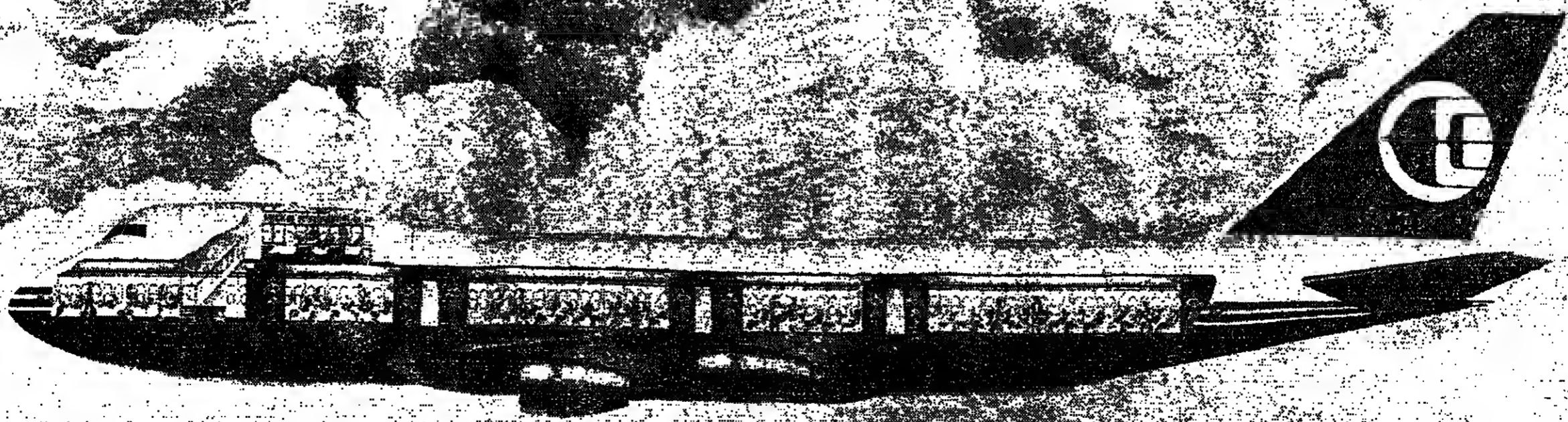
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Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

New Zealand note issue increased as prices gain

By Alan Friedman

PRICES OF fixed-interest Euro-dollar bonds gained nearly a point on average yesterday in moderate to active trading. Dealers attributed the firm market to a stronger New York bond market and the news that the U.S. consumer price index rose by 0.2 per cent in February.

EBC profits advance to £3m

By William Hall, Banking Correspondent

EUROPEAN BANKING CORPORATION (EBC), the London-based bank owned by seven leading European banks, increased its pre-tax profits by 9 per cent to £3.02m (£5.44 in 1981), and increased its balance sheet by 27 per cent to £458.6m.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Thursday April 15.

Table with columns for U.S. DOLLAR, DEUTSCHE MARK, and SWISS FRANC, listing various bond issues with their terms and prices.

GM plans switch in steel buying practices

By Richard Lambert in New York

GENERAL MOTORS, the world's largest car maker, is planning a new relationship with its steel suppliers for the 1983 model year, in a move which could have a significant impact on the U.S. steel industry.

General Motors refused to be more specific, and the major steel manufacturers would not comment on the development. But it appears that the company intends to ask suppliers to bid for its business in the future, as opposed to approaching them for individual contracts.

Income at Levi Strauss down in first quarter

By Our Financial Staff

LEVI STRAUSS, the world's largest clothes manufacturer, yesterday reported first quarter net profits more than halved at \$16.98m, or 41 cents a share, because of lower sales volume.

The figures compare with \$38.22m, or 92 cents a share, in the same period last year. Sales dropped from \$64.7m to \$55.4m.

General Mills above forecast at nine months

By Our Financial Staff

A STRONG rise in earnings from both the consumer foods and restaurant divisions in the third quarter has taken profits at General Mills above forecast at the end of the first nine months. Net earnings have gained 16 per cent to \$185.3m, or \$3.66 a share on sales 13 per cent ahead at \$4.07bn.

Output cut to half at Kaiser Aluminum

By Our Financial Staff

KAISER ALUMINUM and Chemical, the third largest U.S. aluminum producer, has cut its level of output to less than half of capacity in a further move to run down stocks in the face of poor demand for the metal.

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Intel exploits its technology lead

Intel, one of the leading U.S. manufacturers of semiconductors, believes that it has found the key to long-term growth despite the continuing challenge from Japan.

The claim comes as the company is soon to announce what are expected to be its worst quarterly results. The company believes, however, that the current poor business conditions, and its fortunes, will improve in the second quarter.

Intel's key to growth is a strategy which involves exploiting its chip technology in the computer systems business. The semiconductor makers have feared for many years that once they had developed the technology to pack a great number of functions on to a silicon chip, they would not know how to apply it.

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Louise Kehoe reports on a new growth strategy in Silicon Valley

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from those computers and "integrate" them on to a few new chips—reducing the cost and size of the system as well as making it proprietary in the process.

The approach is similar to that taken in the past by mini-computer manufacturers, which devised custom chips to shrink their systems, but it is a fresh approach for a semiconductor manufacturer and reflects Intel's new stance as a computer systems supplier.

With its advanced semiconductor manufacturing technology, Intel is well placed to challenge established mini-computer makers such as Digital Equipment and Hewlett-Packard, its arch rival. For the moment, however, Intel is playing down any suggestion that it will be competing directly with other computer makers—perhaps because many of them are Intel chip customers.

Income at Levi Strauss down in first quarter

By Our Financial Staff

LEVI STRAUSS, the world's largest clothes manufacturer, yesterday reported first quarter net profits more than halved at \$16.98m, or 41 cents a share, because of lower sales volume.

The figures compare with \$38.22m, or 92 cents a share, in the same period last year. Sales dropped from \$64.7m to \$55.4m.

General Mills above forecast at nine months

By Our Financial Staff

A STRONG rise in earnings from both the consumer foods and restaurant divisions in the third quarter has taken profits at General Mills above forecast at the end of the first nine months. Net earnings have gained 16 per cent to \$185.3m, or \$3.66 a share on sales 13 per cent ahead at \$4.07bn.

Output cut to half at Kaiser Aluminum

By Our Financial Staff

KAISER ALUMINUM and Chemical, the third largest U.S. aluminum producer, has cut its level of output to less than half of capacity in a further move to run down stocks in the face of poor demand for the metal.

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poor performance of the past year has set Intel back by at least a year in its growth plans. Intel's earnings for 1981 were only \$27.4m, much lower than the previous two years when profits were around \$100m.

Intel's biggest problem—and that of the entire U.S. semiconductor industry—over the past year has been the fall in prices on memory chips, caused to a great extent by Japanese competition.

At the same time the company is building up its service operations, and is offering "end-user service" on its latest computer products. For the moment at least, Intel protests—perhaps too much—that it is not going to compete with its own customers.

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Falling memory prices

At Intel's last annual meeting, Mr Moore charted the price of one type of memory device falling by 90 per cent over the past year. Falling memory prices had cost Intel \$100m in revenues, despite an increase in the number of memory parts shipped.

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Some of Intel's latest chip products are based on a new way of storing computer programs on chips, rather than on magnetic tape or disks. The so-called "software in silicon" approach is the key to Intel's plans in the computer systems market.

At the same time the company is building up its service operations, and is offering "end-user service" on its latest computer products. For the moment at least, Intel protests—perhaps too much—that it is not going to compete with its own customers.

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March 1982

**Construction arm of Empain-Schneider set to buy Trindel**

BY DAVID WHITE IN PARIS

SPIE-BATIGNOLLES, the international construction arm of France's Empain-Schneider group, is expected to announce an agreement later this week to buy Trindel, a leading electrical installation specialist. An earlier plan to join forces with Fougere — another major construction concern — controlled by Paribas, Empain-Schneider's main shareholder — appears to have been shelved. The scheme has not been taken further since the two announced last May that they would study a link-up. In the interim, Paribas has been nationalised. Trading in the shares of Trindel's parent company, Unidel, was suspended on the Paris bourse last Friday as a result of takeover rumours. The water utility Lyonnaise des Eaux holds a blocking minority in Unidel. Trindel employs 5,500 and had a turnover of FFf 1.5bn

(\$245m) last year. A quarter of this was overseas. The deal will push Spie-Batignolles, which is largely geared to the foreign market, further up the world rankings, after an increase of one third in its turnover last year to FFf 9.5bn. Forclum, Unidel's other subsidiary which is also involved in electrical transmission work, is not believed to be part of the planned deal. The agreement would fit in with the recent policy of Lyonnaise des Eaux of reducing its involvement in public works. It sold one of its subsidiaries, Districel, to the electrical engineering group Merlin-Gerin (also part of Empain-Schneider) last year. More recently it ceded control of the roadworks company Cochery to Societe Generale d'Entreprises, the expanding public works offshoot of the CGE concern.

**Hoffmann in \$160m bid for U.S. group**

By John Wicks in Zurich

SWISS CHEMICAL company Hoffmann-La Roche has made a cash offer of \$25 a share for Biomedical Reference Laboratories of North Carolina. Should Roche succeed in acquiring the U.S. company, the cost of the transaction would be of some \$159.6m. Roche has already signed definitive purchase agreements for 31 per cent of Common stock at a price of \$49.5m. Biomedical Reference is one of America's leading independent clinical laboratories. Mr Fritz-Gerber, Hoffmann's chairman, says the acquisition is intended to strengthen the group's international commitment in the diagnostics area. While the U.S. company is to remain under its present management team, it will be merged with an existing affiliate of Roche's U.S. subsidiary.

**Spanish bank places share capital on London stock market**

BY ROBERT GRAHAM IN MADRID

SPAIN'S THIRD largest commercial bank, Banco Hispano-Americano, has placed just less than 3 per cent of its capital on the London stock market to raise around \$18.5m. This is the second Spanish bank within six months to use London as a means of internationalising its capital base, and several more are expected to follow suit. A total of 1.3m Hispano shares in two lots have been placed by Singer and Friedlander, using international depositary receipts (IDRs). The same method was used by Banco Urquijo last November when it placed 5 per cent of its capital in London. Hispano's present capital is Pta 28,90bn, and its stock market value is Pta 92.5bn. The bank last year turned in pretax profits 21 per cent higher at Pta 11,60n (\$11.02m) with a dividend payment equivalent to 20 per cent of par. Hispano is already represented in London through Banco Urquijo Hispano-Americano (BUHAL) which is jointly owned with Urquijo. The two banks recognise the "value of international investor support." Several large Spanish banks have substantial portfolios of their own shares bought at various times in the past four years in order to maintain stock exchange quotations. It is thought likely that they may soon follow the London route to improve marketability.

**Lindt chocolate group boosts annual earnings**

BY OUR ZURICH CORRESPONDENT

SWISS CHOCOLATE manufacturer, Chocoladefabriken Lindt "Sprüngli", of Kibitzberg, is to pay an unchanged dividend of SwFr 100 per registered and bearer share for 1981 on increased capital of SwFr 11m. This follows a rise in parent company net earnings for the year from SwFr 3.5m to SwFr 3.9m (\$2m). World sales of the confectionery brands Lindt, Sprüngli, Grison, Nago, and Rozan, including licence income, fell from SwFr 563m to SwFr 540m (\$242m) last year. But this was due solely to changes in foreign currency parities; in local currency terms, turnover actually showed an increase of 7.6 per cent. An unchanged 1981 dividend of SwFr 60 a share on each joint share of Helvetia Swiss Fire Insurance Company and Helvetia-Unfall Schweizerische Versicherungs-Gesellschaft is forecast. Helvetia Fire, of St Gall, recorded a rise in net profits for last year from SwFr 9.38m to SwFr 9.77m (\$5.14m), following a 5.5 per cent rise in premium income to SwFr 588.46m. The Zurich-based casualty insurance partner Helvetia-Unfall booked an increase in net earnings from SwFr 10.15m to SwFr 10.23m (\$5.38m) and a rise in premiums by 3.9 per cent to SwFr 550.5m. As part of the joint stock unit, it will pay a dividend for 1981 of SwFr 27 a share.

**Swedish investment group plans one-for-four scrip**

BY WESTERLY CHRISTNER IN STOCKHOLM

CARDO, the investment group which owns the Swedish Sugar Company and has extensive interests in seeds and biotechnology, reports a pre-tax profit of SKr 287.5m (\$51m) for 1981. In the previous financial period, covering May to December 1980, the group achieved pre-tax earnings of SKr 151m. Sales totalled SKr 2.4bn for 1981, compared with eight-month sales of SKr 1.4bn previously. The board recommends increasing the dividend to SKr 7.50 per share, from SKr 4.25 plus a SKr 1 bonus for the previous period. It also plans a one-for-four scrip issue. Nordic Investment Bank reports a surplus of SDR 13.2m (\$15.3m) for 1981, compared with SDR 12m in 1980. NIB loans in the year showed an increase of 32 per cent on 1980. The energy sector accounted for almost half of the volume of lending and for 37 per cent of the total lending portfolio. Loans outstanding at the end of the year increased by 53 per cent. NIB's own long- and medium-term borrowing increased.

**Norway downgrades Statoil role**

SINCE IT was founded 10 years ago, Statoil, Norway's state-owned oil company, has grown at the same breathtaking pace as the Norwegian gas and oil industry in which it plays such a key role. Last week it announced a record Nkr 1bn (\$165.5m) profit for 1981 — up fivefold from the previous year — and the payment of its first dividend. As a newcomer to the oil scene, the company at first had to rely on extensive technical help from established, foreign oil companies. But this stage is now over and indeed the achievement of independence from foreigners was one of the primary goals of Mr Arve Johnsen, Statoil's managing director, almost from the day it was formed. Mr Johnsen believed that mastering the necessary technology would not be too difficult for a highly developed industrial nation such as Norway, and he has been proved

correct. Keen, ambitious young Norwegians — geologists, geophysicists, engineers and economists — flocked to join the new company, with many sent abroad for further training, often to foreign oil companies managing a field development project — the so-called Golden Block oil and gas fields — and the Statpige gas gathering scheme. In addition the company is involved through subsidiaries in downstream activities such as

Hydro. The handover will take place on April 1. More serious for Statoil, over the longer term, is the new Government's determination to deny it any specially favoured status in future allocations of exploration concessions beyond that enjoyed by all Norwegian oil companies. The company has previously been entitled to at least a 50 per cent interest in all new Norwegian concessions, with this increasing to as much as 80 per cent according to the eventual production levels. It may also be deprived of its right to handle the Norwegian state's royalty oil. One reason Statoil has been getting such large shares on oil licences granted since 1973 is that the Labour Government regarded it as the main agent of the state's offshore interests. It intended the company to collect, and to a large extent administer, much of Norway's income from offshore oil and gas. Statoil's 50 per cent stake in the Norwegian part of the Statfjord field (42 per cent of the field as a whole), is, for instance, its main source of earnings at present. The new Government proposes to change all this. It has scrapped Labour's plans to give Statoil 85 per cent of three very promising concession areas adjoining Shell's large gas field on block 31/2. The remaining 15 per cent would have gone on a 60/40 split to Norsk Hydro and Saga. A new share out of these three blocks will be announced late in April or early in May, and two new Norwegian groups — Norenegi and Explanor — have applied for stakes. Meanwhile, the Government has appointed a seven member Royal Commission, headed by Mr Gunnar Hellesen, a banker and former Conservative Defence Minister, to study how state participation in Norway's offshore industry should be organised. Its terms of reference are that the civil service should take over Statoil's function as a collector and administrator of state petroleum income. This might involve the creation of a new state holding company quite different from Statoil. It would almost certainly end the need for sliding scale clauses to increase Statoil's share of a concession once production passed a certain level.

**Political changes have altered an energy group's trading structure. Fay Gjester in Oslo reports**

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December 1981



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Companies and Markets **INTL. COMPANIES & FINANCE**

**POLICY CHANGE ON COMMERCIAL CREDITS**

**India turns to borrowing abroad**

BY THE end of the financial year on March 31, the Indian Government will have approved agreements for a total of \$1.185bn of loans from the world capital markets in 12 months. India was a negligible commercial borrower before this, and has thus made a dramatic entry into the market.

India's entry for the first time into the world capital markets to finance development and other projects comes when it faces a serious balance of payments problem which is expected to erode the foreign exchange reserves by around Rs 20bn (\$2.2bn), in 1981-82, and by about the same amount in 1982-1983 despite disbursement of instalments of a three-year \$5.5bn loan from the International Monetary Fund.

The international aid climate for loans at concessional interest rates is fast deteriorating, and India has been forced to look for commercial credits. Partly, this is because the Government's calculations on its own resources have gone awry, but it is also associated with the sharp worsening of the terms of trade in the past three years which has resulted in the current balance of payments crisis.

India's Planning Commission explains that the country's policy on borrowing on commercial terms has been restrictive in the past because of the need to prevent foreign debt servicing becoming an intolerable burden. But the Commission now says: "It is nevertheless desirable to make selective use of the opportunities of borrowing abroad, particularly for financing projects which have a high rate

of return and are able to strengthen our export capability. It is in the light of these considerations that the balance of payments projections include borrowings from abroad on commercial terms."

This radical change in policy means that for the first time projects like steel plants, aluminium smelters and power stations are to be financed by

Aluminium Company (Nalco) for a plant being set up in Orissa State with the help of Aluminium Pechiney of France, the subsidiary of Pechiney Ugine Kuhlmann, which has helped to arrange a financing package for the project.

The second biggest is a \$110m loan raised by Rasbriya Chemicals and Fertilisers partly

to finance the import requirements of a fertilizer complex at Thal Vaishtet in Maharashtra State after the World Bank withdrew its loan for the project, following a controversy over the appointment of consultants. This amount was raised in Kuwait by the issue of bonds to three Kuwaiti financial institutions.

The Industrial Credit and Investment Corporation of India (ICICI) raised three separate loans totalling \$78.5m, to help it provide the foreign exchange requirements for various Indian industrial projects. The Industrial Development Bank of India (IDBI) raised \$25m for the same purpose.

Other big loans include \$30m to the Oil and Natural Gas Commission for its Bombay High offshore development programmes and \$95.4m that 14 shipping companies have been allowed to raise in total for the

purchase of ships. India Airlines, the domestic carrier, has been permitted to borrow \$77.7m to buy two Airbus and four Boeing 737s to augment its present fleet. The agreements on these have still to be signed, but they have been negotiated and approved.

Four five-star hotel projects in Delhi are to be financed partly by loans totalling \$87m, representing the first time that foreign borrowings for this purpose have been allowed. The loans are being raised by Asian Hotels, Siddharth Hotel, Surya International Hotel and Pure Drinks.

The loans have been raised in most part at fine margins over the London inter-bank offered rate (Libor), and the debt servicing burden of the year's loans is estimated at around \$200m a year.

To these will be added further non-concessional loans now under negotiation which will be approved in 1982-83. Apart from a huge loan spread over three years for the \$2bn steel plant in Orissa to be built by Dary McKee of the UK, it is expected that another \$500m will be raised by other public and private companies in 1982-83.

There are two limitations on foreign commercial borrowings. First, the Government wants to keep total debt servicing within manageable limits—roughly 15 per cent of the inflows of foreign exchange—so that the credit rating of the country remains high. Second, the IMF has set a ceiling of \$1.4bn on short-term non-concessional borrowings for next year. This does not, however, include loans for the Orissa steel plant and a super thermal power plant now being negotiated.

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December 1981

**Australian insurers in merger talks**

By Our Financial Staff

TWO OF Australia's largest insurance companies, National Mutual Life Association of Australasia and T and G Mutual Life Society, have announced that they are holding talks on the possibility of merging.

If the companies did link up their combined assets would total A\$4.5bn (US\$ 5.1m), rank 19th among the country's 200 largest Australian Mutual Provident Societies' A\$8.9bn.

Discussions between the two groups are at a very early stage and the complexities of any deal means that it might take a year to arrange the merger, Mr Bob Bienvu, National Mutual's managing director, said.

A merger would require Federal Court approval, he added. The two companies believe that a merger would be in their best interests because of the wider asset base which would be available and the economies of scale.

Last month T and G announced that in partnership with Samuel Montagu, the London-accepting house, it was buying out the minority partners in Capel Court Corporation, one of Australia's leading merchant banks. This will give T and G 60 per cent of the bank with Samuel Montagu holding the balance.

**Ipoth exceeds expectations with 120% profits rise**

BY WONG SULONG IN KUALA LUMPUR

IPOH GARDENS, a major Malaysian property developer, which obtained a public listing late last year, has exceeded its profit projections, with pre-tax earnings rising by more than 120 per cent to 31.7m ringgit (U.S.\$13.6m) in 1981.

After-tax profit for the year was 105 per cent higher at 15.6m ringgit, nearly 1m ringgit higher than projected net earnings.

The company expected to pay a final dividend of 7.5 per cent, making 12.5 per cent for the year.

Ipoth Gardens is the fourth Malaysian listed property company in the past month to report hefty increases in earnings, reflecting strong demand for housing, despite the recession and higher interest charges. The others are Selangor Properties, Island and Peninsula, and United Estates Projects.

Meanwhile, Paramount Corporation, another expanding development group, has projected pre-tax earnings for the current year of around 40m ringgit, compared with 7m ringgit in the last financial year.

The bulk of the earnings will come from four property companies it is proposing to buy for 45.2m ringgit. Paramount will issue 15m new shares of one ringgit each for the purchase.

The Malaysian Government has given its approval to the

**Wheelock Maritime lifts payout**

By Our Financial Staff

WHEELOCK MARITIME International, part of the Wheelock Marden trading group of Hong Kong, has reported group net profits for the year ended December of HK\$ 85.1m.

An extraordinary profit of HK\$ 65.7m on the sale of vessels and an unrealised foreign exchange loss of HK\$ 3.3m made the overall profit for the period HK\$ 147.7m.

The company, which has changed its year end to December, had shown an overall profit of HK\$ 57.18m for the nine months ended December 1980.

The concern, which is the principal shipowner subsidiary of the Wheelock Marden group, has declared a final dividend of 40 cents per A share, against 25 cents a year earlier, making a total of 65 cents against 45 cents.

A dividend of 4 cents per B share (2.5 cents) has been declared, making a total of 6.5 cents (4.5 cents).

The company had reported an interim net profit of HK\$ 43.37m, but it said at the time that the result should not be taken as indicative of the full year performance.

U.S. \$50,000,000



**Banco de la Nación Argentina**

Floating Rate Notes 1986

In accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from 24th March, 1982 to 24th September, 1982, the Notes will carry an interest rate of 15½% per annum. The relevant Interest Payment Date will be 24th September, 1982.

Credit Suisse First Boston Limited  
Agent Bank

**Bearer Depository Receipts**

in respect of  
**US \$30,000,000 Floating Rate Note 1988**

**SANWA INTERNATIONAL FINANCE LIMITED**

unconditionally and irrevocably guaranteed as to payment of principal and interest by

**THE SANWA BANK, LIMITED**

For the six months from March 24, 1982, to September 24, 1982, the above-mentioned Note will carry an interest rate of 15½% per annum. The interest payable on the relevant interest payment date, September 24, 1982, against Coupon No. 2 will be US \$282.64 per US \$10,000 Bearer Depository Receipt.

By: CITIBANK, N.A., London Agent Bank  
March 24, 1982



**COMPANHIA ESTADUAL DE ENERGIA ELÉTRICA**  
PORTO ALEGRE - RIO GRANDE DO SUL - BRAZIL

Medium Term Loan and Export Credit Facilities  
in connection with the construction of the thermoelectric power station known as "Candiota III"

Guaranteed by

**The Federative Republic of Brazil**

**US \$120,000,000 Medium Term Facility**

Lead Managed by  
Banque de Paris et des Pays-Bas  
Société Générale  
Crédit Lyonnais  
Banque de l'Indochine et de Suez  
Barclays Bank S.A. Crédit Commercial de France

Provided by  
Banque de Paris et des Pays-Bas  
Société Générale  
Crédit Lyonnais  
Banque de l'Indochine et de Suez  
Barclays Bank S.A. Crédit Commercial de France  
Banque Arabe et Internationale d'Investissement (BAII)  
Frab Bank International Crédit du Nord  
Arab Bank Limited Paris Branch Banque Rothschild  
Banque Sudameris France  
Union de Banques Arabes et Françaises U.B.A.F.  
Société Centrale de Banque  
Banque Commerciale pour l'Europe du Nord (Eurobank)  
Crédit Industriel de l'Ouest C.I.O. Union Méditerranéenne de Banques  
Via Banque

Agent Bank  
Société Générale

Arranged by  
Banque de Paris et des Pays-Bas

**US \$40,000,000 Medium Term Facility**

Lead Managed by  
Libra Bank Limited  
The Kyowa Bank Ltd  
Banco Nacional de México, S.A.  
- BANAMEX -

Provided by  
Libra Bank Limited  
The Kyowa Bank Ltd  
Banco Nacional de México, S.A.  
- BANAMEX -  
Banco Cafetero, S.A. (Panama)  
Central Trustee Savings Bank Ltd.  
Banco do Estado do Rio de Janeiro SA - BANERJ  
Grand Cayman Branch  
First Jersey National Bank  
Trust Company Bank

Arranged by  
Libra Bank Limited

**FF 741,000,000 Export Credit Facility**

Managed by  
Banque de Paris et des Pays-Bas  
Société Générale  
Crédit Lyonnais  
Banque de l'Indochine et de Suez  
Barclays Bank S.A. Crédit Commercial de France

Provided by  
Banque de Paris et des Pays-Bas  
Société Générale  
Crédit Lyonnais  
Banque de l'Indochine et de Suez  
Barclays Bank S.A. Crédit Commercial de France  
Banque Arabe et Internationale d'Investissement (BAII)  
Frab Bank International Crédit du Nord  
Arab Bank Limited Paris Branch Banque Rothschild  
Banque Sudameris France  
Union de Banques Arabes et Françaises U.B.A.F.  
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Crédit Industriel de l'Ouest C.I.O. Union Méditerranéenne de Banques  
Via Banque

Long Term Instalment  
Banque Française du Commerce Extérieur

Arranged by  
Banque de Paris et des Pays-Bas

Co-ordinated by  
**Banque de Paris et des Pays-Bas**



December 1981



WORLD STOCK MARKETS

Further early Wall St rally

MONDAY'S GOOD rally on Wall Street was extended in extremely heavy early trading yesterday, with the market spurred on by a number of "buy" signals, issued late on Monday. The Dow Jones Industrial Average, which recovered about 14 points the previous day, was 5.99 higher at 925.53 at 1 p.m. The NYSE All Common Index advanced 54 cents to 865.40, while advanced outscored declines by a 10-to-4 margin. Turnover swelled to \$3.03 billion from Monday's 1 p.m. level of \$3.80 billion.

Chesler Padu, of G. Tsai and Co., said a number of statistical measures of the market turned bullish at the beginning of the week setting the stage for the upturn in stock prices. Analysts said the large short-interest position in the market also came under pressure, as investors who sold stock for future delivery on the expectation that prices would decline, had to buy shares to cover their positions.

The heavy volume also reflected institutional window dressing as portfolio managers switched their holdings prior to the end of the first quarter. Diamond Shamrock was the volume leader, up 1 1/2 to \$20 1/4. A block of 3,026,000 shares, the 82 1/2 largest on record, was sold by Goldman Sachs to a variety of buyers.

The second most active issue was Tandy, shares which traded at \$12, up 1/2. Archer-Daniels-Midland was up to \$16. The stock was up to \$16 1/2. Among other active issues, Sony put on 1/2 to \$13 1/2, IBM 1/2 to \$59 1/2, General Motors 1/2 to \$41 1/2, and USAR 1/2 to \$14 1/2.

Closing Prices for North America were not available for this edition.

Germany Most shares moved further

There were revived buying of a number of Blue Chips and international popular shares because of the overnight Wall Street recovery.

However, buying interest slowed during the day, with traders uncertain about the future direction of the yen against the U.S. dollar. Also, international trade friction continued as a background factor due to the EEC foreign ministers' decision on Monday to start procedures against Japan under the General Agreement on Tariffs and Trade.

Matsushita Electric rose Y45 to Y140, Fuji Photo Film Y30 to Y120, Takeda Chemical Y30 to Y25, Yamaichi Y100 to Y130, Kaken Chemical Y50 to Y140 and Hitachi Y8 to Y55.

Switzerland In the market's best session for months, share prices advanced in active trading, taking the Swiss Bank Corporation Industrials index up 5.9 more to 255.9.

Brokers said the strong rally, which began on Monday, resulted from the downward trend in Swiss interest rates and the continuing strength of the Swiss franc bond market.

Other Minings and Financials were included to improve, shadowing Gold shares, to quiet dealings ahead of today's South African Budget.

However, Platinum edged 10 cents to R3.75 on the interim results. Industrials were mixed with an easier bias.

Hong Kong After reopening further ground in response to the sharp overnight Wall Street rally, Hong Kong stocks reacted to the rally slightly easier for choice on the day. Trading remained light.

The Hang Seng index recorded a fresh improvement of 20 points before closing a net 2.01 down at 11,837.75 on the four exchanges, against Moody's HK514.03.

Brokers said that they still see some upside potential for the market even though a large upward break is still unlikely. Several major stock markets are due later this week and investors will be scrutinizing these, especially the expectations for 1962, brokers added.

Paris Stock prices again displayed a slight bias to lower levels, with declines outscoring rises by 96 to 75 in the French section. Technical influences, since yesterday was Settlement Day for the monthly trading Account, the French franc continued to undermine sentiment. At yesterday's official fixing, the franc fell to its lowest level against the U.S. dollar, while the Deutsch and Dutch guilder were pegged at their EMS ceilings.

Tuesday's session was historic in a sense, since it was the last day for forward trading in the rights to stock of the Banks and

NEW YORK

Table of stock prices for New York, including columns for Stock, Mar. 22, Mar. 23, and Mar. 24.

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Indices

Table of indices for New York, including Dow Jones, S&P 500, and NYSE Composite.

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Table of active stocks for New York, including columns for Stock, Change, and Price.

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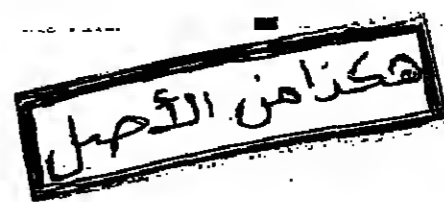
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Monday Stock Closing on traded day. Base values of all indices are 100 except American 125, NYSE All Common 100, Standard and Poors 100, and Dow Jones Industrial Average 100.





Companies and Markets

EEC boosts tin pact hope

BY OUR COMMODITIES STAFF

THE EEC's decision to join the sixth International Tin Agreement was generally welcomed yesterday. Mr Peter Lai, executive chairman of the International Tin Council, said the move greatly enhanced prospects of the pact coming into force as scheduled on July 1 and Australia's primary industries minister Mr Doug Anthony said he was surprised the decision had been made so quickly.

Keala Lumpur: Following the EEC's decision to ratify the Tin Agreement, Australia has urged the U.S. to reconsider its decision not to join it. At the end of a visit to Malaysia yesterday, Mr Anthony said he would approach the U.S. authorities to persuade them to join. He felt U.S. participation was crucial if the sixth ITA was to be effective.

The U.S., with its huge tin stockpile, could wreck any Tin Agreement if it disregards producers' interests," he said. During talks with Malaysian leaders Mr Anthony was asked to use his influence to get the EEC and the U.S. to ratify the ITA. He said Australia did not rule out its joining the proposed association of tin-producing countries, but warned that talk of such an association at this stage would defeat efforts to get the U.S. to join the Tin Agreement.

Farm bank offers loan to Russia

By Nancy Dunne in Washington

THE SOVIET UNION, busily buying grain on credit, has reportedly found a new banker: the Central Bank for Co-operatives in Denver. However, a spokesman for the Farm Credit Administration, the Washington regulatory agency for the American farm banks, insisted yesterday that the purchase of 50,000 tonnes of American maize has not been formally approved.

FOODGRAINS

India looks to a record harvest

BY RICHARD COWPER IN THE PUNJAB

INDIA SEEMS set to achieve an all-time record in foodgrain production in 1981/82, barring unforeseen weather or disease disasters in the next few weeks. This should bring the country back to a state of foodgrain self-sufficiency after one of the worst droughts of the century in 1979 pushed 1980 year end stocks to a dangerous six-year low and forced the Government to buy on the world wheat market last year for the first time in almost half a decade.

With around 60 per cent of the year's foodgrain harvest already in, and an above average outlook for next month's vital wheat crop, the Government is predicting total foodgrain production of around 134m tonnes in the 1981/82 agricultural year. This is 4m tonnes up on last year's production of 130m tonnes, and 2m tonnes more than the previous all-time high of 132m tonnes recorded in 1978-79.

The Department of Agriculture is expecting an output of 134m tonnes or more this year provided there is no unseasonable weather in the next few weeks. We now expect that after very rough years 1981/82 will restore us to normalcy," said Dr H. L. Chawla, the senior economic and statistical adviser to the Department of Agriculture.

With record production of both wheat and rice in the offing, the Government will be able to build up its foodgrain stocks to safer levels this year. The 1979 drought, which saw total foodgrain production fall by an awesome 22m tonnes in 1978/79 to 109.7m tonnes, pushed foodgrain stocks to their lowest level for six years and eventually forced the Government to place orders for 2.3m tonnes of wheat from abroad last year. This was the first time that India had imported foodgrain since 1977.

Table: INDIA'S FOODGRAIN PRODUCTION (m tonnes). Columns: Year, Wheat, Rice, Others, Total. Rows: 1978-79, 1979-80, 1980-81, 1981-82.

Anger over wool and potato prices

BRITAIN'S farmers reacted angrily yesterday to the Government's announcement that there will be no increase in the guaranteed prices for potatoes and wool again this year. Dismay and disappointment greeted Agriculture Minister Mr Peter Walker's statement in the Commons. The guaranteed price for potatoes has not changed in the last five years, while that for wool has been the same for three years.

More foot and mouth in Denmark

BY JOHN EKELAND IN COPENHAGEN

A NEW CASE of foot and mouth disease in Denmark was confirmed yesterday in the same region, Funen, where the first case was discovered last week. Fears that the disease had spread to the eastern part of the country were calmed yesterday afternoon, when laboratory tests of a suspected dairy herd of 150 killed on Tuesday showed no signs of foot and mouth disease. A suspected case on a flock of five sheep destroyed Monday in the vicinity of the first reported case on the large island of Funen also turned out to be a false alarm. The sheep were killed after discovery of typical symptoms of the disease.

System officials say more export loans under control

System officials say more export loans under control. The U.S. Agricultural Counsellor in Moscow said. In a March field report released yesterday, he said total meat production in January and February of this year was 5 per cent below the same 1981 period. Beef and pork production were down 7 per cent and 8 per cent respectively, and both total milk production and yield per cow were 5 per cent below 1981 levels, he said.

Soviet meat output falls

WASHINGTON — Meat production on Soviet state and collective farms in the first two months of 1982 ran below last year's output in all livestock products, except poultry, the U.S. Agricultural Counsellor in Moscow said. In a March field report released yesterday, he said total meat production in January and February of this year was 5 per cent below the same 1981 period.

Manioc import queried

BRUSSELS — The EEC Commission is investigating possible irregularities by European traders in the import of manioc pellets. The Commission, however, is that imports of pellets always contain a certain amount of flour created by breakages among those pellets. Just how large a proportion of such flour in such shipments was allowed was open to question.

Manioc import queried

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BRITISH COMMODITY MARKETS

Table: BRITISH COMMODITY MARKETS. Includes sections for BASE METALS, COPPER, LEAD, ZINC, ALUMINUM, COCAOA, and WOOL FUTURES.

NEW ZEALAND CROSSBREDS

Table: NEW ZEALAND CROSSBREDS. Lists various breeds and their prices.

GAS OIL FUTURES

Table: GAS OIL FUTURES. Lists prices for different grades of gas oil.

SILVER

Table: SILVER. Lists prices for silver bullion and coins.

COCAOA

Table: COCAOA. Lists prices for cocoa beans and products.

COFFEE

Table: COFFEE. Lists prices for different grades of coffee.

WOOL FUTURES

Table: WOOL FUTURES. Lists prices for wool futures contracts.

SOYABEAN MEAL

Table: SOYABEAN MEAL. Lists prices for soyabean meal.

SUGAR

Table: SUGAR. Lists prices for sugar.

GRAINS

Table: GRAINS. Lists prices for various grains.

WHEAT

Table: WHEAT. Lists prices for wheat.

BARLEY

Table: BARLEY. Lists prices for barley.

PRICE CHANGES

Table: PRICE CHANGES. Lists price changes for various commodities.

AMERICAN MARKETS

Table: AMERICAN MARKETS. Lists prices for American commodities.

MONDAY'S CLOSING PRICES

Table: MONDAY'S CLOSING PRICES. Lists closing prices for various commodities.

Commodity Analysis Limited. Specialists in Commodity and Currency Discretionary Accounts. Minimum account size \$25,000.

PERSONAL FACT. ALREADY NEARLY 100,000 members help the British Diabetic Association. More help and donations are needed to help defeat DIABETES.

COMMODITY BROKERS. Specialists in Commodity and Currency Discretionary Accounts. Minimum account size \$25,000.

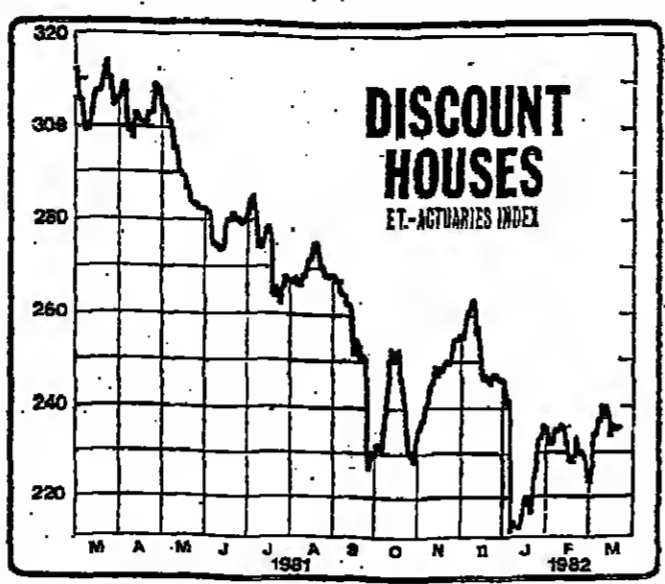
INDICES. FINANCIAL TIMES, DOW JONES, MOODY'S, REUTERS. Lists various market indices.



LONDON STOCK EXCHANGE

All-round advance in improved turnover with Gilts again showing the way ahead—Oils and Golds better

Account Dealing Dates
Optima
\*First Declared Last Account Dealings
Mar 15 Mar 25 Mar 26 Apr 5
Mar 29 Apr 18 Apr 16 Apr 26
Apr 19 Apr 28 Apr 29 May 10



Schwepes firm another 3 to 10 1/2p. Salisbury rose 10 to 255p. Unigate attracted revived support...

Smith & Nephew good
Among secondary miscellaneous industrial, Smith & Nephew gained 5 to 10 1/2p...

Resources encountered further demand and, in a thin market, put on 40 for a two-day jump of 185 to 620p.

Gold surge ahead
The recovery in South African Golds gathered momentum, boosted by the further rise in the bullion price.

RECENT ISSUES

Table with columns: Issue, Amount, Price, Date, Stock, etc. listing recent issues.

FIXED INTEREST STOCKS

Table with columns: Issue, Amount, Price, Date, Stock, etc. listing fixed interest stocks.

"RIGHTS" OFFERS

Table with columns: Issue, Amount, Price, Date, Stock, etc. listing rights offers.

Renunciation date usually last day for dealing free of stamp duty. 6 Figures based on prospectus estimate...

ACTIVE STOCKS

Table with columns: Stock, Closing price, Day's change, etc. listing active stocks.

MONDAY'S ACTIVE STOCKS

Table with columns: Stock, No. of closing, etc. listing Monday's active stocks.

RISES AND FALLS YESTERDAY

Table with columns: British Funds, Rises, Falls, etc. listing rises and falls yesterday.

FINANCIAL TIMES STOCK INDICES table with columns: Govt. Secs, Fixed Interest, Industrial, etc.

HIGHS AND LOWS S.E. ACTIVITY table with columns: Govt. Secs, Fixed Int., Ind. Ord., Gold Mines.

figures and closed 6 better at 355p. Equity and Law hardened a penny to 434p...

Among Wines and Spirits, Tomahawk fell to 46p before settling for a net loss of 3 at 49p...

Wall Street advice prompted support for ICI, which closed 4 dearer at 326p...

Early support was directed towards ICI, which closed 4 dearer at 326p...

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Wall Street advice prompted support for ICI, which closed 4 dearer at 326p...

Early support was directed towards ICI, which closed 4 dearer at 326p...

APPOINTMENTS
New chairman for Britvic
Mr George Inman has been appointed chairman of BRITVIC.

NEW HIGHS AND LOWS FOR 1981/2
The following quotations in the Share Information Service yesterday indicated new highs and lows.

FT-ACTUARIES SHARE INDICES
These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries.

Table with columns: Index No., Days Change, etc. listing FT-Actuaries Share Indices.

The Royal Bank of Scotland Mortgage Rate
The Royal Bank of Scotland plc announces that with effect from close of business on 1 April 1982 its Mortgage Rate will be reduced to 13% per cent per annum.

BASE LENDING RATES table with columns: Bank Name, Rate, etc. listing base lending rates.

OPTIONS table with columns: First, Last, Deal, Declara, Settling, etc. listing options.

FIXED INTEREST table with columns: PRICE INDICES, Time, Day's change, etc. listing fixed interest.



مكاتبنا في لندن

FT UNIT TRUST INFORMATION SERVICE

INSURANCE BONDS

Table listing various insurance and bond products, including Abbey Life Assurance Co. Ltd., AVEV Life Assurance Ltd., and others, with columns for company name, address, and contact information.

Table listing various insurance and bond products, including Crown Life, Legal & General (UK) Assur. Ltd., and others, with columns for company name, address, and contact information.

Table listing various insurance and bond products, including Phoenix Assurance Co. Ltd., Phoenix Mutual Insurance Co. Ltd., and others, with columns for company name, address, and contact information.

Table listing various insurance and bond products, including Standard Life Assurance Company, Standard Life Assurance (UK) Ltd., and others, with columns for company name, address, and contact information.

Table listing various insurance and bond products, including Sun Alliance Insurance Group, Sun Alliance Life Assurance Co. Ltd., and others, with columns for company name, address, and contact information.

Table listing various insurance and bond products, including Swiss Life Assurance Co. Ltd., Swiss Life of Canada (UK) Ltd., and others, with columns for company name, address, and contact information.

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STOCKS

Table listing various stock market data, including company names, share prices, and market indices.

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INDICES

Table listing various stock market indices, including FTSE 100, FTSE 250, and others, with columns for index name and value.

OFFSHORE & OVERSEAS FUNDS

Table listing various offshore and overseas funds, including company names, fund names, and contact information.

NOTES

Table listing various notes and financial instruments, including company names, instrument names, and contact information.

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FOOD, GROCERIES—Cont.

Table listing various food and grocery items with their respective prices and market movements.

HOTELS AND CATERERS

Table listing hotel and catering companies with their stock prices and performance indicators.

INDUSTRIALS (Miscel.)

Large table listing various industrial companies across multiple columns, including their stock prices and market data.

ENGINEERING—Continued

Table listing engineering companies with their stock prices and market movements.

CHEMICALS, PLASTICS—Cont.

Table listing chemical and plastic companies with their stock prices and market movements.

BANKS & H.P.—Cont.

Table listing banks and other financial institutions with their stock prices and market movements.

LOANS—Continued

Table listing various loan and financial services with their stock prices and market movements.

Industrial & Commercial Advertising. LANGFORD-ALEXANDER ADVERTISING. 6, George Road, Edgbaston Birmingham B15 1NP. 021 455 9696.

BRITISH FUNDS

Table listing British funds with their stock prices and market movements.

“Shorts” (Lives up to Five Years)

Table listing short-term investments with their stock prices and market movements.

Five to Fifteen Years

Table listing medium-term investments with their stock prices and market movements.

Over Fifteen Years

Table listing long-term investments with their stock prices and market movements.

Undated

Table listing undated investments with their stock prices and market movements.

Index-Linked & Variable Rate

Table listing index-linked and variable rate investments with their stock prices and market movements.

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

Table listing international bank and overseas government sterling issues with their stock prices and market movements.

CORPORATION LOANS

Table listing corporation loans with their stock prices and market movements.

CANADIANS

Table listing Canadian companies with their stock prices and market movements.

BANKS AND HIRE PURCHASE

Table listing banks and hire purchase companies with their stock prices and market movements.

ELECTRICALS

Table listing electrical companies with their stock prices and market movements.

FOOD, GROCERIES, ETC.

Table listing food, groceries, and other consumer goods with their stock prices and market movements.

TRAIL BLAZERS. A brilliant idea. Two committed technologists. Guided and financially supported by Cwyd's unbeatable industrial development agencies this venture has got off to a flying start. For new and growing enterprises like Mixalloy, through to major established manufacturers like British Aerospace, Cwyd works, day in, day out. In the last 4 years, over 200 companies have chosen Cwyd. We know why. For example, a highly skilled and trainable workforce, with an outstanding industrial relations record are as important as the new motorway and dual carriageway link to the national motorway network—15m consumers are just 2 lorry hours away. Above all, financial incentives equal to the highest available anywhere in mainland G.B., are the key component in the Cwyd package. In helping you we promise positive attitudes, without red tape. All the facts are in our colour brochure. For your copy, contact Wayne S. Morgan, County Industrial Office, Cwyd County Council, Shire Hall, Mold, Cwyd, North Wales, Tel: Mold (0352) 2121. Telex: 61454X. Cwyd offers you great potential in North East Wales.



INDUSTRIALS—Continued. Table listing various industrial stocks with columns for Stock, Price, and Change.

LEISURE—Continued. Table listing leisure-related stocks with columns for Stock, Price, and Change.

PROPERTY—Continued. Table listing property-related stocks with columns for Stock, Price, and Change.

INVESTMENT TRUSTS—Cont. Table listing investment trusts with columns for Stock, Price, and Change.

OIL AND GAS—Continued. Table listing oil and gas related stocks with columns for Stock, Price, and Change.

International Financier DAIWA SECURITIES logo and header.

MINES—Continued. Table listing mining stocks with columns for Stock, Price, and Change.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade stocks with columns for Stock, Price, and Change.

SHIPPING

Table listing shipping stocks with columns for Stock, Price, and Change.

SOUTH AFRICANS

Table listing South African stocks with columns for Stock, Price, and Change.

TEXTILES

Table listing textile stocks with columns for Stock, Price, and Change.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publisher stocks with columns for Stock, Price, and Change.

PAPER, PRINTING ADVERTISING

Table listing paper, printing, and advertising stocks with columns for Stock, Price, and Change.

TOBACCO

Table listing tobacco stocks with columns for Stock, Price, and Change.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land stocks with columns for Stock, Price, and Change.

PROPERTY

Table listing property stocks with columns for Stock, Price, and Change.

INSURANCE

Table listing insurance stocks with columns for Stock, Price, and Change.

LEISURE

Table listing leisure stocks with columns for Stock, Price, and Change.

FINANCE, LAND, ETC.

Table listing finance, land, and other stocks with columns for Stock, Price, and Change.

OIL AND GAS

Table listing oil and gas stocks with columns for Stock, Price, and Change.

OVERSEAS TRADERS

Table listing overseas trader stocks with columns for Stock, Price, and Change.

RUBBERS AND SISALS

Table listing rubber and sisal stocks with columns for Stock, Price, and Change.

TEAS

Table listing tea stocks with columns for Stock, Price, and Change.

MINES

Table listing mining stocks with columns for Stock, Price, and Change.

FAR WEST

Table listing far west stocks with columns for Stock, Price, and Change.

O.F.S.

Table listing O.F.S. stocks with columns for Stock, Price, and Change.

Tins. Table listing tin stocks with columns for Stock, Price, and Change.

Copper. Table listing copper stocks with columns for Stock, Price, and Change.

Miscellaneous. Table listing miscellaneous stocks with columns for Stock, Price, and Change.

NOTES. Detailed text providing information about stock prices, dividends, and other market-related details.

REGIONAL MARKETS

Text providing information about regional market performance.

OPTIONS

Table listing options with columns for Stock, Price, and Change.

Text providing information about options trading and market conditions.



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MINISTERS LAY BASIS FOR DEAL ON UK PAYMENT

EEC in budget peace moves

BY JOHN WYLES IN BRUSSELS

EEC FOREIGN Ministers yesterday lined up the basic elements of a package linking a reduction in Britain's payments to the EEC budget for up to five years with agreement on the price increases to be awarded to Community farmers this year.

The aim is to resolve these two contentious problems by the end of next week.

European Agriculture Ministers have scheduled a negotiating marathon on farm prices from Wednesday to Friday next week. Foreign Ministers agreed yesterday to hold an unusual Saturday negotiating session on the budget in Luxembourg on April 3.

They also agreed that the budget need not feature on the agenda of next week's heads-of-government summit here on Monday and Tuesday—removing the possibility of souring the atmosphere.

After several fruitless meetings in the past four months, the possibility of a budget breakthrough emerged yesterday with the presentation of skillfully-drafted compromise proposals from Mr Leo Tindemans, the Belgian Foreign

About 100,000 angry French farmers marched through Paris yesterday in the biggest demonstration there since the 1968 riots. Letting off bird-scaring fireworks, hurling eggs and jamming streets with their tractors, the marchers called on the Government to press for a 16 per cent increase in guaranteed EEC farm prices.

The demonstration followed months of regional protests against low farm prices. French farmers claim that for the past eight years the increases awarded by EEC Agriculture Ministers have failed to match rises in production costs. Page 2

Minister and President of the EEC Council of Ministers, and M Gaston Thon, the European Commission's President.

The main points of the proposals are: ● An arrangement reducing the UK's budget burden for five years, the period London wants. Lord Carrington, the Foreign Secretary, stressed yesterday there must be a review clause in case the UK's payments remained unacceptably large when the arrangement expired.

Lord Carrington argued yesterday that this would not yield

enough money to satisfy the UK and that in any case, it left too much to be negotiated annually.

A "top-up" element would be needed, based on a mechanism used in the temporary two-year agreement on the UK's payments. ● The UK's compensation for 1985 and 1986, the last two years of the proposed agreement, would be decided by the Council before the end of 1984 through a unanimous vote on a proposal from the Commission.

Lord Carrington said Britain would need something more definite for the final two years to avoid a new negotiation in 1984.

That "would hardly be a good year to have it," he added, referring to the possibility of a

British general election. Lord Carrington said, however, that the proposals were a basis for further discussion.

Mr Tindemans claimed afterwards that the ideas were "well received" and all delegations were showing real interest in the proposals.

These offer the Ministers a concrete set of propositions which attempt to steer a middle line between British demands and the desire of other delegations, particularly the French, to secure precise limits on the duration of any arrangement and the amounts which will be paid to the UK.

Its contributions to the Community budget are expected to total between £900m and £1bn this year. The decision to negotiate on Saturday week maintains the link the British have imposed between any farm price settlement and a budget deal.

As far as possible, the farm ministers agree on a farm price package by Friday evening, the UK will probably make its final approval of this conditional on a successful end to the weekend negotiations on the budget.

ITT sells further 10% of shares in STC

By Carla Rapoport

INTERNATIONAL Telephone and Telegraph, the U.S.-based conglomerate, has sold another 10 per cent of its stake in Standard Telephone and Cables, its British telecommunications manufacturing subsidiary.

The placing of about 10m shares, through the London stock exchange yesterday, raised approximately £50m. It was snapped up eagerly by London investors at 496p a share.

In June 1979 ITT sold 15 per cent of STC through a public offer for sale at 160p a share. The latest move leaves it with a 75 per cent holding in the British company.

The deal is one of the largest private placings in recent memory. In mid-1980, the National Enterprise Board raised £54.3m by disposing of the bulk of its stake in Ferranti, the electronics company. In 1979, the NEB raised £38m by placing its 25 per cent stake in ICL.

ITT said yesterday it had no specific purpose for the money. Even so, the company's debt-to-equity ratio has been climbing and the group has had substantial cash outflows recently.

The share sale follows the announcement two weeks ago of STC's profits for 1981. Between 1978 and 1981, STC had posted pre-tax profits from £27.8m to £50.6m while sales increased from £373m a year to £567m.

Mr Ted Newman, a director and treasurer of ITT (UK) and STC, said ITT was not likely to be selling any more shares. "This is a good stopping point. A 75 per cent ownership is relevant in terms of taxation and regulations."

Although ITT had been considering the divestment for some time, it was obliged under Stock Exchange regulations to delay the placing until the announcement of STC's profits. Before the recent profit statement, STC shares were trading at 485p. They jumped sharply after the announcement and closed at 533p on Monday, so the placing was pitched at a discount of about 7 per cent. The shares closed last night at 523p, down 10p.

Approximately 7m shares were placed in the market by stockbrokers L. Messel and Cazenove. The remaining 3m were placed among the private clients of S. G. Warburg, the merchant bank.

Brokers said yesterday that the shares placed in the market were sold in less than an hour.

STC, which markets its products worldwide, makes public and private exchange systems.

Weather

UK TODAY MAINLY DRY with sunny periods but some rain in west. Warmer.

London, E. England, Midlands, Channel Isles. Any fog patches clearing. Dry with sunny intervals. Max. 12C (55F).

Borders, E. Scotland. Mostly dry, cloudy with bright periods. Max. 10C (50F).

Rest of Scotland, N. Ireland, W. England, Wales. Cloudy, some sunny intervals. Max. 12C (55F).

Outlook: Rather warm. Mostly dry with sunny periods.

WORLDWIDE

Table with columns for city, temperature, and weather conditions. Includes cities like Algiers, Athens, London, New York, etc.

THE LEX COLUMN

How Lasmo lost its looks

A couple of years ago, when Lasmo was producing very little oil, paying no dividends, and was extremely highly geared, the City was falling over itself to buy the shares.

Now Ninian is flowing at 300,000 barrels a day, giving Lasmo sales of £7bn last year and pre-tax profits of £113.2m, while a 10p maiden dividend is being paid and there is enough cash in the balance sheet to pay off the £75m unsecured loan stock tomorrow. Yet the shares have dropped from a 1980 peak of 995p to a recent low of 260p. Nothing looks as dowdy as last year's fashion.

It is easy enough to see what the problems are. Although the oil price in starting terms has been holding steady—and Lasmo has not been forced to sell on the depressed spot market—broker forecasts of the value of the company's reserves, based on 20 per cent compound escalation in the oil price, are rapidly gathering dust. The time when all that unused acreage in the "M" Block and Columbia Field (the rechristened South African) will be brought on stream has been indefinitely postponed, so that Lasmo seems sure to have a dip in earnings around 1984-6 as Nigerian output tails off.

The trouble is that Lasmo's majority partners in the underdeveloped fields are integrated oil majors with loss-making UK refining activities, who have better things to do with their money than bring on new highly-taxed production when they cannot recover upstream prices in the market for oil products. Meanwhile, the Government's take of Lasmo's own profit, pre-tax and royalties, is 76 per cent—or 85 per cent, before safeguard relief—and he tax actually paid, rather than just provided for, is climbing all the time: £44m last year, and more in 1982 as Lasmo joins the PRT club.

All the same, Lasmo—which

Index rose 6.2 to 564.3.

must be kicking itself for not having a rights issue two years ago—has plenty of financial elbow room to pick up with great tax efficiency, any small producers having trouble funding their development. At 290p, up 30p yesterday, the shares trade on less than six times prospective earnings and at a big discount to asset value, while the 5 per cent yield is nearly four times covered by last year's current cost earnings.

Burton

Considering the damage that its reputation has suffered over the past few years, Burton Group can be forgiven for rushing out any news that might repair it. Yesterday's results for the six months to February came hot from the presses and left the shares 8p higher at 167p.

The figures are as usual complicated by property items and the disposals of businesses but underlying operating profits have risen an impressive 18.7 per cent to £12.5m. With the balance sheet now free of debt, the pre-tax figure is up by almost two-thirds. So Burton is at last making a respectable return from retailing and looks on target for full-year operating profits, excluding property, of about £22m.

Burton has spent heavily to brighten the appearance of its shops and the benefits are starting to show through. Volume has grown by over 10 per cent, on roughly maintained floor space and constant gross margins, against a weak market for garment retailing. At the same time, capital spending is being slowly run down and the much slimmer manufacturing operations are almost back to break even.

The Burton image will not be rehabilitated by a single set of figures and the return on capital employed is still not doing full justice to the quality of the property portfolio. But, to judge from the historic yield of 6.1 per cent, the market is more confident than for years.

STC

A little more than two years ago, some sparkling results, a generous dividend hike and run up in the shares of a prominent electronics group were followed within days by a £35m placing of stock which was eagerly gobbled up by the institutions. Yesterday's disposal of a 10 per cent stake in STC for nearly £50m by the parent company ITT shows several parallels. The placing comes within a fortnight of a 48 per cent jump in stated second-half pre-tax profits, a 35 per cent increase in the final dividend and a week in which the shares put on 14 per cent. The institutions were again so enthusiastic that scaling down was required.

Two years ago the stock placed in unfortunate institutional hands was ICL; there can be no doubt that the outcome of yesterday's exercise will prove much happier than this. For heavily geared ITT, which is having difficulty disposing of its property interests, the cash will come in very useful. For UK investors a broader market in STC shares should ease price volatility. But further tranches of stock from ITT cannot now be ruled out—albeit not for the next couple of years. So there may be more scarcity premium to drop out than the 10p fall in the share price yesterday to 523p suggests. ITT has probably picked a high point in STC's rating relative to the market at which to sell—and the price compares with 160p at the original flotation in May 1979.

Technology group plans jobs boost

BY TIM DICKSON

FIVE INSTITUTIONS yesterday announced plans for a joint enterprise to create jobs in the UK by bringing new technology and other experience to small businesses. One of the most important results of the venture is likely to be the adaptation for use in Britain of experiments which have helped boost employment in the U.S.

The five institutions are British Steel Corporation (Industry), the Co-operative Bank, Pilkington Brothers, Sun Life Assurance and Control Data UK, a subsidiary of the fourth largest American computer group. Each is subscribing £200,000 to the new enterprise, which will be called

Worldtech Ventures.

The company will operate by setting up business ventures in specific communities, notably in those areas of the UK such as the North-East, the North-West, Scotland and Wales which have been hit worst by unemployment.

The five partners stress that they are all equally involved. It is felt that Control Data is the most significant share holder. This company has already sponsored similar initiatives in Sweden, Italy and Israel while its business and technology centres, computer-based education and training and small business support systems are likely to be

important models for Worldtech ventures.

Mr Jack Ward, Worldtech's managing director and formerly managing director of Control Data UK, emphasised that financial support, management assistance, education and training, marketing advice and help with access to facilities and services would also be key features of Worldtech ventures. These initiatives will vary according to specific needs but they will be formed only after an invitation has been issued locally.

Finance is unlikely to come from Worldtech directly but is expected to come from local public and private sector sources.

Asked yesterday whether the company would not fall over the numerous existing local enterprise initiatives, Mr Ward said that there will be plenty of room for us all.

"Our objective is not to replace local initiatives but to exploit new areas. Local co-operation and assistance is, however, essential."

The company is reticent at this stage about where the first venture will take place. "In the short run technological advances have contributed to unemployment as tasks are undertaken by fewer people," said Lord Harris of Greenwich, Worldtech's chairman yesterday.

Amex in \$2bn office leasing deal

By David Lascelles in New York

AMERICAN EXPRESS yesterday agreed to lease one of four towers being built on a huge Manhattan office development next to the World Trade Centre in what the company claimed is the largest property leasing deal ever.

The deal will give a major boost to the development which is being undertaken by Olympia and York of Canada. It has been dubbed the Rockefeller Centre of the Wall Street district.

American Express will lease a 2.3m-sq-ft tower for 35 years for a price "in excess of \$2bn" (£1.1bn). The company would not give the exact price per sq ft but it appeared to be in the \$25-\$30 range.

In return, Olympia and York will buy American Express's present Wall Street headquarters for \$240m, giving the charge card and financial services company a \$180m capital gain which it plans to use to restructure its investment portfolio.

Mr James Robinson, chairman of American Express, said his company "will be able to use its current building to generate a major source of revenue, expand into significantly larger quarters to meet its growing space demands and assure stability in its real estate costs over the long term."

The development, to be called the World Financial Centre, is being built on a stretch of reclaimed land jutting into the Hudson River beside the twin towers of the World Trade Centre and half a mile west of Wall Street.

Volvo's £160m truck order for Iraq nears completion

BY ROGER MATTHEWS

VOLVO IS close to completing delivery of 7,000 heavy trucks to Iraq worth about £160m. The orders have been spread over the past 18-24 month period and the first deliveries are thought to have coincided with the outbreak of war between Iraq and Iran.

The 7,000 units are equivalent to nearly 25 per cent of the Volvo Truck Corporation's total sales in 1981 and are thought to be one of the largest combined orders ever placed with a heavy vehicle manufacturer.

Iraq has been totally dependent on land routes for all its imports since the end of September, 1980, when fighting blocked its ports on the Shatt al-Arab and Umm Qasr waterways at the head of the Gulf.

Iraq is thought to be negotiating for further substantial orders, which may be placed within the next three months.

but there is fierce international competition for the orders, which may amount to another 1,000-1,500 vehicles.

The fall in Iraq's oil revenues caused by the war means the Government is paying particular attention to prices. Iraq has already borrowed about \$22bn from Arab oil producers in the past 12 months, and Baghdad may now be interested in suppliers' credits for large orders.

Volvo is reluctant to discuss sales to the Middle East because of political sensitivities in the region and has chosen not to publicise any orders that it concludes.

British truck drivers have also been quick to see the importance of Iraq. There are now thought to be about 400 drivers in the country with their own vehicles which they drove to Baghdad from the UK. One driver is reported to

have said he could cover the £35,000 capital cost of his vehicle in 12 months' driving on routes ranging from Turkey in the north to Abu Dhabi and Dubai in the south.

With no end to the war in sight, the trucking boom in Iraq is likely to continue for at least a year and perhaps as long as three to four years.

Even after a peace settlement has been agreed it will take many months to clear Iraq's waterways where more than 80 ships have been trapped since the start of the war.

Apart from repairs to port facilities, the Shatt al-Arab will have to be cleared of unexploded bombs and shells and then dredged to remove the sandbars which have built up. Iraq is using ports in Jordan, Turkey, Syria, Kuwait, and Somalia in the Gulf and Dubai in order to bring in all its military and civil supplies.

French interest rates Continued from Page 1

the French Finance Minister, pledged that the Government would hold interest rates at the new high level—which would tend to restrain the Government's expansionary plans for the economy—for as long as necessary.

"The priority is the parity of the franc," he said. He ruled out any realignment within the EMS, and said the Government would defend the franc with all its resources. He confirmed that European governments

and central banks were acting in concert.

He said pressure against the franc was "pure speculation" and "psychological." A realignment could only be justified if there were economic indicators which were unfavourable.

In Frankfurt, the West German currency gained a little ground during quiet lively trading against the dollar, closing at DM 2.388 after opening in the morning at DM 2.39725

to the dollar. In New York early yesterday the Government bond market extended Monday's rally with rises of between one quarter and a half a point.

In London yesterday, money market interest rates continued to ease in sympathy with the downward drift of U.S. rates. The three-month Eurodollar rate was down to 14 1/2 per cent and the three-month interbank rate was also about 1/2 point lower at 13 1/2 per cent.

Midland may pull out of Beirut Airbus deal

BY ALAN FRIEDMAN

MIDLAND BANK is expected to refuse to participate in a \$350m (£194m) package to finance the purchase of Airbus aircraft for Middle East Airlines (MEA), the Lebanese state carrier.

Dresdner Bank of West Germany is understood already to have refused to participate in the MEA deal as currently structured.

This leaves Credit Lyonnais, the French bank as the sole organiser of the finance package, which is needed to help the airline purchase five Airbus A-310 aircraft ordered from Airbus Industrie, the European aircraft maker owned by the French, West German, British and Spanish governments.

Midland, Dresdner and Credit Lyonnais form the basic European banking syndicate for Airbus financing.

It is understood that Dresdner and Midland's reluctance is related to an unusual demand from the Export Credits Guarantee Department (ECGD) and its French and German equivalents (COFACE and HERMES) that the banks share the risk if the loan is not repaid by the airline.

A \$70m commercial loan has been completed by a group of 40 banks led by Credit Lyonnais, according to Mr Assad Nasr, chairman of the airline. But this only represents 20 per cent

of the \$350m package and has not yet been signed.

The remaining 80 per cent must come from bank syndicates with export credit guarantees from the various governments. The government money will only be forthcoming however, if the banks provide counter-guarantees and thereby share the risk.

In Beirut, Mr Assad said yesterday: "We have been concerned with the commercial side of the package. As for the export credit side, this is being dealt with by Airbus Industrie."

He would not comment on whether Midland or Dresdner

were withdrawing from the deal, saying this was the responsibility of the aircraft maker handling the finance package.

Airbus Industrie stressed yesterday that while Dresdner Bank's reluctance to participate in the airline package was already known, Midland Bank had made no official statement that it was withdrawing from the deal. "Financial discussions are still going on," said Airbus Industrie.

The airline is said to have made a loss of between \$17m and \$18m last year against a 1980 profit of more than \$2m. Its 1982 loss is likely to be between \$10m and \$15m.

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